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Nexttracker, Inc. (NXT)

Q1 2025 Earnings Call

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Philip Shen

Analyst, ROTH MKM

Brian Lee

Analyst, Goldman Sachs & Co. LLC

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Sean Milligan

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, everyone, and thank you for standing by. My name is Jala and I'll be your conference operator today. Today's call is being recorded. I would like to welcome everyone to the Nextracker's First Quarter Fiscal Year 2025 Earnings Call. After the speakers' remarks, there will be a question-and-answer session.

At this time for opening remarks, I would like to pass the call over to Ms. Mary Lai, Vice President of Investor Relations. Mary, you may begin.

Mary Lai

Vice President-Investor Relation & Financial Communications, Nextracker, Inc.

Thank you and good afternoon, everyone. Welcome to Nextracker first quarter fiscal year 2025 earnings call. I'm Mary Lai, Vice President, Investor Relations. I'm joined by Dan Shugar, our CEO & Founder; Howard Wenger, our President and Chuck Boynton, our CFO. We're excited to have launched a new shareholder letter format along with our press release. On today's call, we will open with a brief message from Dan and then immediately transition into a Q&A session.

As a reminder, there will be a replay of this call posted on our website, along with the press release and shareholder letter. Today's call contains statements regarding our business, financial performance and operations, including our business and our industry that may be considered forward-looking statements and such statements involve risks and uncertainties that may cause actual results to differ materially from our expectations. Those statements are based on current beliefs, assumptions and expectations and speak only as of the current date. For more information on those risks and uncertainties, please review our earnings press release, shareholder letter and our SEC filings, including our most recently filed Form 10-K, which are available on our website.

This information is subject to change and we undertake no obligation to update any forward-looking statements as a result of new information, future events or changes in our expectations. Please note we will provide GAAP and non-GAAP measures on today's call, the full non-GAAP to GAAP reconciliations can be found in the appendix to the press release and the shareholder letter as well as the financial section of the IR website.

And now I will turn the call over to our CEO and Founder. Dan?

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextracker, Inc.

Thank you, Mary. Welcome to Nextracker's first quarter fiscal 2025 earnings call. I would like to extend a warm welcome to our new Chief Financial Officer, Chuck Boynton, who joined Nextracker a couple of months ago and will be participating in our question-and-answer session today. Our fiscal year is off to a strong start with another quarter of solid execution.

Our first quarter had a 50% year on year growth in revenue and record adjusted EBITDA. It was our sixth consecutive quarter of year-over-year double digit revenue growth. In Q1, we saw a healthy demand in both the US and international markets. Our backlog increased quarter-over-quarter and is over \$4 billion. In the quarter, we also shared new product solutions such as our AgriPV solution and our NX low carbon tracker and celebrated several factory expansions with our manufacturing partners. And today we announced we are taking orders for

solar tracker solutions with 100% US domestic content capability with an expected ship date in early calendar 2025.

We are also thrilled to welcome the teams from Ojjo and Solar Pile International to Nextracker. We have extensive experience with foundation design, supply chain, installation and the technologies we acquired broadened the geo-technical use cases for solar. We believe there is value to our customers in combining tracker systems and foundations to form an integrated solution. With these two acquisitions, we can provide a holistic integrated solution for a broad range of soil conditions for utility scale projects globally.

I'm so proud of our team. Fiscal 2025 is off to a great start and we remain focused on executing our plan. As the world transitions to renewable energy, we are well-positioned with our culture, strategy, team and market positions. This concludes my comments. We now look forward to your questions. Let me pass the call back to the operator.

QUESTION AND ANSWER SECTION

Operator: We will now begin our question-and-answer session. [Operator Instructions] Our first question comes from Mark Strouse with the company JPMorgan. Mark, your line is now open.

Mark Strouse

Analyst, JPMorgan Securities LLC

Q

Yes. Good evening. Thank you very much for taking our questions and appreciate the new [indiscernible] (00:05:29). So I wanted to start with kind of the domestic content. Can you talk about how your customer conversations are shaping up if you're seeing firm orders yet? Just can you talk about maybe the pipeline activity. Are things kind of firing on all cylinders yet or customers kind of [indiscernible] (00:05:55) that language to be finalized? Or are they waiting for the election? Just any update there. And I have got a quick follow-up. Thank you.

Howard J. Wenger

President & Director, Nextracker, Inc.

A

Hey, Mark, this is Howard Wenger. I'm going to start and then Dan is going to finish. So demand is healthy for trackers and for trackers with domestic content. We'll start there. We have firm orders for domestic content in a wide range of domestic content, typically between 40% all the way up to 100%. Now, we're taking orders and we actually have an order for 100% domestic content tracker. And customers are not equivocating with respect to placing those orders. They're not waiting for additional guidance. The guidance came out from Treasury. It's very clear it's favorable for trackers and for Nextracker. And we as we've discussed previously, stood up over 20 facilities with manufacturing partners to deliver domestic content with an annual capacity of over 30 gigawatts. So, we're really in very good position to deliver. Dan?

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextracker, Inc.

A

Mark, thanks for asking about domestic content building on Howard's answer, it was very helpful when treasury came out with the new Safe Harbor table. Their original rule bill can't be elected by customers but what helpful here is they call out specific components torque tubes, fasteners, slew drive, dampers, motors, controllers, [ph] rails (00:07:39) and if you can build those components to that guideline, then there's an additional credit comes in with the production labor. Customers do value that. We stood up and have these public factory openings at eight

factories, including our electronic controller. We had a event in Silicon Valley with a partner and it's very tangible. Customers get it and we're getting great feedback.

Howard J. Wenger

President & Director, Nextracker, Inc.

A

Thanks, Mark.

Operator: Our next question comes from Philip Shen with the company ROTH Capital Partners. Philip, your line is now open.

Philip Shen

Analyst, ROTH MKM

Q

Hey, guys. Thanks for taking my questions. To what degree are you guys dealing with the Southeast Asia? AD/CVD impacts and the potential for that to be slowing the market down. Our work, as you may know, suggests a 2025 slowdown. Have you seen some projects push out? Our checks also suggest that you guys are winning a substantial amount of share as well. So, just curious if you're be able to offset the challenges with the tariff and maybe some other uncertainty with the share gain? And then from a booking standpoint, do you expect that the strength and the book-to-bill to continue to be above one in the coming quarters? Thanks.

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextracker, Inc.

A

Bill, Dan Shugar is here. I'll take the first half of your question dealing with the AD/CVD and Howard will then comment on bookings. We read your reports which are always great and your team is very comprehensive and actually we tested some of those questions with our, our commercial team. We would characterize the AD/CVD issues as a secondary headwind. There it could be an issue on some projects being happening later than the customer would otherwise want them to. We think the prime – or we've seen the primary impact of – on schedule of projects relates to construction permits or interconnection delays. And our perspective is it is taking longer for projects to be fulfilled in real life due to those factors. Secondarily, for the projects that we've chatted with customers about AD/CVD issues and so it is a factor, but we've seen that those other issues be larger factors.

Howard, do you want to comment on his bookings question?

Howard J. Wenger

President & Director, Nextracker, Inc.

A

Sure. So, so we had a really strong quarter in execution and delivered \$720 million in revenue for Q1. So, we're off to a great start, as Dan mentioned in his remarks. And with that, we increased our backlog quarter-over-quarter. And so it continues to be over \$4 billion. That gives us a lot of visibility. One of the things we noted in the shareholder letter, which we encourage everybody to read, it's online, gives a lot more detail. One of the things we noted is that 80% of that backlog is expected to be realized over the next eight quarters. And so it gives us a lot of visibility. We did have a strong quarter in bookings once again, and we do not provide guidance, but on bookings and backlog but the color is that the market continues to be healthy and we're getting at least our fair share of the market. Thanks Phil. Next question, please.

Operator: Our next question comes from Brian Lee with the company Goldman Sachs. Brian, your line is now open.

Brian Lee

Analyst, Goldman Sachs & Co. LLC



Hey, guys. Good afternoon. Thanks for taking the questions and kudos on the solid start to the year. I guess in that context, I was just curious if I look at the guidance for the year, you had a strong start here in fiscal Q1, but the adjusted EBITDA midpoint, 22% of sales, that's remaining unchanged. You just did 24 in Q1. So, it does imply some moderation we went through the year. Can you kind of speak to what's driving that? Is it price? Is it mix it maybe some conservatism? You're baking in? Just curious as to what's driving that cadence and then in the shareholder letter, which is great, I think, Dan, you mentioned the grid enhancing technologies, which I know is getting a lot more focus. Is there an opportunity for you guys to directly participate in that? Is that part of your sort of M&A wheelhouse, if at all, just would be curious if that's something you can help the industry out with directly. Thanks, guys.

Chuck Boynton

Chief Financial Officer, Nextracker, Inc.



Great, I'll take the first part and Dan or Howard can take the second. Brian, good to hear from you. So as we look at the strong Q1, really, really strong, both gross margin and EBITDA margin and we're proud of those results. As you look out to the back half of the year, there's going to be a lot more international mix. Our expectation is and again, it's hard to look at one quarter because we look at this on an annual basis or even multi-year basis, but we look at the year and we expect to see stronger revenue contribution from our international markets. And as you know there, the margin profile in the US is really, really strong. And so overall, we're off to a great start. We do see the timing. And things move in and they move out. And Q1 really was a real tailwind for us and we expected a strong year, but it's going to be a bit more balanced with our international mix. In the shareholder letter, we outlined our expectation of approximately two thirds US, one-third North – international, and in Q1 it was more like 71/29. Thank you, Brian.

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextracker, Inc.



Okay, Brian, thanks for the question about the grid enhancement technologies. So, when we look at such a strong percentage of the interconnection queue being, solar and solar plus storage. We covered on previous calls, over 7,000 projects, have applied to be interconnected to grid. 2,000 gigawatts, much more than the interconnection capacity of the entire US grid today, 80% of the queue being dominated by solar and solar plus storage. The biggest single issue governing those projects is connection to the grid.

And so if you look historically, it takes a long time to build a transmission line. I started my career. I'm an electrical engineer, as a transmission planner working for Pacific Gas and Electric Company in the very distant past in the 1980s. But it's a big deal to build a new line. You need to get rights away. There's eminent domain. Folks don't like to see long transmission lines built. There are three grid enhancing technologies that have become commercialized over the years that can – you can use existing lines or the existing corridors of transmission, often with the same transmission towers to get vastly more power transmitted in the same corridor. And those relate to using dynamic thermal rating where you put a device on the line to actually measure the temperature of the line in real time.

If the wind is blowing perpendicular across the line, the line's cooler, you can transmit vastly more power on that line. There's new conductors where you can take the same tower and just put a new wire on the line that's the same diameter and get 50% to 100% more power on the same corridor. The US has lagged international adoption of these technologies. We've seen India and Europe really taking off on these technology. We think there's a tremendous opportunity. Recently I spoke at a major conference. I was there with some US utility

executives. We were engaged. There's a tremendous push on this from the Federal Energy Regulatory Commission, the US Department of Energy. We're seeing some utility commissions pushing on it, some leading utilities starting to lean in and do this work and we think it's right for the ratepayer and it definitely can help really accelerate renewables.

We featured all this in our shareholder letter because it's something that has been sort of not focused on. But in the renewable industry, we think it's very important and it could provide a big part of the solution to getting these projects connected quicker. Thanks for your question, Brian. Next question, please.

Operator: Our next question comes from Vikram Bagri with the company Citi. Vikram, your line is now open.

Vikram Bagri

Analyst, Citigroup Global Markets, Inc.

Q

Good afternoon, everyone. I wanted to talk about the acquisitions that you guys did. You obviously have a much stronger footing with these two acquisitions, with Solar Pile and Ojjo in the space. I was wondering what's the attach rate of these two companies combined with your systems? What do you see that attach rate going forward? And if you can share the philosophy around acquisitions also, the letter says the acquisitions will be accretive over time? I was wondering like how much time and what do you think is the acquisition multiple over that time period? Once the full potential of these acquisitions are shown in your financials. And then I had one housekeeping question. The letter mentioned gross margin was impacted by higher costs, and that includes supply chain cost. If you can quantify that, too. Thank you.

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextracker, Inc.

A

Thank you, Vikram. We're very excited about the acquisitions of Ojjo and Solar Pile International because they increase the geo-technical and difficult soil areas where solar can be practical to be installed. And we're seeing an increase in the prevalence of difficult sites for these Ojjo has very unique means and methods and intellectual property and machines to address hard rock type applications, Solar Pile International is more on the softer soils and the frost heave, so freezing and thawing type places et cetera. As Solar has proliferated from California to the southwest to other areas in the US and overseas, other places. We've seen a higher percentage of these types of difficult soil conditions and we've heard from our customers the same thing.

Now, we're not speaking to attach rate, but what I can share is both of these technologies are fairly early in the adoption curve for these in the market. The Nextracker when we first saw the Ojjo technology a year ago, we did lean in, we supported them. We became the first UL certified tracker of Ojjo Foundation Technology. We participated in some of their early projects.

And what I will say is Howard and I sat down with a number of customers. There was a lot of excitement about the combination. Ojjo has fantastic technology. The company was not well capitalized. They saw Nextracker being able to significantly support the company, and the comfort factor of customers was a lot stronger. But with both Ojjo and Solar Pile International, we had really vetted, validated these technologies both in our test facilities that we have joining our headquarters and other locations, as well as with full scale projects with customers out in the real world. And so we are very confident about the ability of these technologies to perform and to be able to expand the range of where Solar makes sense. Chuck, can you handle the next question, please on [indiscernible] (00:21:50).

Chuck Boynton

Chief Financial Officer, Nextracker, Inc.

A

Yeah. Vikram, On the cost side for supply chain, the backdrop is that the revenue that we recognized in Q1 was booked, many, many quarters ago. In some cases, these are long projects generally. And the costs that you've seen in transport, freight logistics containers has gone up in the last three quarters and Suez Canal created an issue where shipping rates went up, fast boat costs have gone up. We contemplate generally the cost of steel and generally that is kind of hedged with our customers, but a lot of the supply chain costs can be variable. And so this quarter, as opposed to last quarter, there was a slight increase in costs. Thank you. Next question, please.

Operator: Our next question comes from Praneeth Satish with the company Wells Fargo. Praneeth, your line is now open.

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Q

Thanks. Let me just say, I'm big fan of this new format in the expanded Q&A. So, anyway, my question, I guess I just wanted to clarify one thing on your backlog. You mentioned that approximately 80% of the backlog will be recognized over the next eight quarters. Is that a shift at all from the prior commentary where I think you've said the backlog will be realized within eight quarters has some of the deals got elongated at all? And then how long will it take to realize that remaining 20%?

Howard J. Wenger

President & Director, Nextracker, Inc.

A

Thanks for the question Praneeth. This is Howard Wenger. It is a bit of a shift honestly, the project lifecycles are getting a little bit longer. Dan mentioned that permitting and interconnection are now the drivers for the long pole in the tent are getting projects perfected. That has – it's taking more time than it did two years ago, three years ago. And so in addition to things like module availability, which is a secondary or maybe even a tertiary issue, project cycles are moving somewhat to the right.

The flip side is that we're getting even more visibility, longer-term visibility, which is good for the company. That backlog is still solid. Projects are not dropping out. In fact, we did a review of our projects internally. We had literally one project drop out in the last 12 months. So, it's very, very solid backlog. And of course, we've talked about the – we have a high bar for what goes into our backlog. So, yes, project cycles are lengthening to a degree where we factor that into our outlook and feel really good about it. Chuck, did you have something you want to add?

Chuck Boynton

Chief Financial Officer, Nextracker, Inc.

A

No. Well said, Howard. I think the one project is less than 3%. So, one out of hundreds and hundreds of projects?

Howard J. Wenger

President & Director, Nextracker, Inc.

A

Yeah. Just for context. Yeah. It's less than 1%. It's plus less than 1%. Okay. Thank you for the question, Praneeth. Next question, please.

Operator: Absolutely. Our next question comes from Kashy Harrison with the company, Piper Sandler. Kashy, your line is now open.

Kashy Harrison

Analyst, Piper Sandler & Co.

Q

Good afternoon. And thanks for taking my question. Just a quick one on the guidance. Q1 was quite strong relative to your expectations, but I think the mid-single digit growth in Q2 implies a sequential decline and I was just wondering if you could speak to the driver of the sequential decline into 2Q whether it's conservatism or if there's something else going on there? Thank you.

Chuck Boynton

Chief Financial Officer, Nextracker, Inc.

A

Yes, Kashy. I'd like to say first and foremost is we're a customer driven company. We want to deliver per our customers schedules. They have a lot of scheduled deliveries they wanted in Q1 and deals got pulled into Q1. And that's the real driver. We're not pushing to drive an outcome with our customers. We're listening to them and driving to what our customers want. And that's why you can't just look at one quarter. Q1 was a fantastic quarter. Q2, we're guiding mid-single digit growth year-over-year. We still see growth, but it's driven by customer schedules, supported by strong backlog and looking at this really on an annual basis. Thank you. Next question.

Operator: And next question comes from Dimple Gosai with the company, Bank of America. Dimple, your line is now open.

Dimple Gosai

Analyst, BofA Securities, Inc.

Q

Good evening, everyone. Thank you for taking the time. Can we talk a little bit about these domestic add-up bonuses? How do we think about that in terms of factoring it into your pricing strategy? So, from a pricing power perspective or sharing benefits, can you speak a little bit more on that?

Howard J. Wenger

President & Director, Nextracker, Inc.

A

This is Howard Wenger. It's a factor in the US and of course, that's two thirds of our business. It's the most attractive market in the world for Nextracker. From a pricing and margin perspective. And the strength of our relationships in the size of the market is the factor having domestic content. And we made the decision actually during the pandemic when we – there all those delays in logistics, steel costs going up overseas. We made the decision to reshore, onshore manufacturing turn out to be a good decision because [ph] Ira (00:28:04) came along and we accelerated this transition to now having over 20 factories. And so we believe we are in very good position. We think we're differentially able to offer high levels of domestic content and we're proud to be in the first company to be able to deliver in early 2025, 100% domestic content product. Appreciate the question. Thank you.

Operator: Our next question comes from Jordan Levy with the company Truist. Jordan, your line is now open.

Jordan Levy

Analyst, Truist Securities, Inc.

Q

After noon, all, I appreciate all the commentary. I know you've done work in the AgriPV space before, and I appreciate everything you put in the shareholder letter about that. Nice to see specific product set. I wanted to get a sense of how you're thinking about the size and market opportunity there and the value you can bring.

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextracker, Inc.

A

Hey, Jordan, thanks for that. We've been passionate about AgriPV since founding the company actually at our center of Solar Excellence in Fremont, which you visited once. So thank you for that. You saw at that time we've been growing crops amidst the solar panels there and I think the amount of uptake of AgriPV is going to be very market specific. Some markets, it could be a negligible percent. And some markets it could be a dominant percent. The one of our customer projects, the Mammoth Solar Project, which is – was developed by Doral, it's in Indiana, won the – at the – there was a conference last month.

They won the AgriPV project of the year and that particular project, it's a combination of ranching and agriculture. They have, for example, 1,500 sheep at that project doing vegetation management and they are commencing a program to grow produce there with local farmers. What we've seen is there can be depending on where you are, much greater community acceptance and it can provide a dual income stream to existing communities that might be involved in agricultural ranching and we've developed a number of projects on multiple – in multiple countries, on multiple continents with that, Nextracker has a very robust R&D program in solar. We have, in addition to our headquarters, R&D center, we have a very extensive center of solar excellence in Brazil, and we have a extensive AgriPV R&D program that's been conducted there for several years.

We're measuring things like yield per square area for different crop types, the amount of irradiance, how to optimize the operation of the solar power system in conformance with needs for crops and so forth. So, it's early days for AgriPV. We think it's a great use case and we think our architecture with unimpeded growth to be able to navigate through the systems without a mechanical impediment, facilitates more adoption in the AgriPV area. So, we're excited about the prospects here and we'll be reporting on it over time as we learn from our customers and introduce new technologies in this area. Next question, please.

Operator: Our next question comes from Joseph Osha with the company Guggenheim Partners. Joseph, your line is now open.

Joseph Osha

Analyst, Guggenheim Securities LLC (Research)

Q

Hi there. Hi, Chuck. Congratulations, you being part of such a great team. I did – I wanted to – I guess, a question related to what Phil asked. I think we all know that we have this December deadline looming on panel brought in under the tariff exclusion. I'm curious as to whether any of your customers are talking to you about your potential complexities related to modules that aren't put in by that December deadline. Thank you.

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextracker, Inc.

A

Thanks for your shout out for Chuck, Joe. We're thrilled to have Chuck joined our amazing finance and accounting team, which I will say won the Adam Smith Awards last quarter as a testament to the amazing work done by our Treasury Department there. Again on the panel AD/CVDs situation and this end of year deadline. We have spoken to customers. We engaged our commercial team in preparation for this investor call. We've just seen that as a secondary factor where – that's impacted that our customers are concerned about or talking to us about the more – the larger factors have been construction permitting and electrical interconnection. So those we just haven't seen that be a primary factor. It's also, I will say, very gratifying to see the ramping of a quite a few solar panel manufacturing operations in the United States with both legacy producers in the US and new producers. So, and we encourage more of that and we're doing everything we can to help them as they validate product on trackers and things like that.

Thank you. Joe. Next question, please.

Operator: Our next question comes from Jon Windham with the company UBS. Jon, your line is now open.

Jon Windham

Analyst, UBS Securities LLC

Q

Perfect. I'll reiterate, I like the format and the extra time for questions. My question would be just on the two acquisitions, the strategic rationale makes sense. Why now would be my question? I can't help but notice that the total acquisition spend lines almost perfectly with the cumulative 45X tax credit that you received to-date. Should we view it that way that the 45X tax credits have given you a little bit of dry powder? Thanks for taking the questions.

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextracker, Inc.

A

Yeah. So the rationale – look we went public a year and a half ago and we were – we completed our spin out just a few quarters – a quarter and a half ago. We have our liquidity is in a growing in strong place. We mentioned in the shareholder letter, we upsized our revolver now and so we have also the ability to execute those strategic acquisitions.

I will say we're very disciplined, we're very diligent. We approach things from a customer value, from an engineering standpoint. We want to see things tested in the field. We have a long history with both Ojjo and with Solar Pile International and in the case of those two technologies, we've just seen an increased prevalence of these very difficult geo technical site conditions. These two technologies offer real value to customers to lower costs, to have less uncertainty on the project. In the case of also the Ojjo technology, it's light on land, meaning that in some of the areas where solar is getting deployed, there's concern around vehicular traffic on the sites of both disturbance to sites that have, there's concern about the environmental aspects of the site. So if you have with the Ojjo technology one, the path of the machine can do the job that two to three legacy type machines would do. And so for all these reasons, there's a market need, we validated it. We're in a position where we can actually transact at value to customers. So, those were the factors that built on our strategic rationale. Jon, thank you. Next question, please.

Operator: Our next question comes from Dylan Nassano with the company Wolfe Research. Dylan, your line is now open.

Dylan Nassano

Analyst, Wolfe Research LLC

Q

Hey, good afternoon. So, I know you guys have shared your views in the past on just IRA risks and election risks, but just curious in your conversations with your customers, specifically how did they view the election risks? And is there any way that it would impact their timelines as they weight certainty? Thank you.

Howard J. Wenger

President & Director, Nextracker, Inc.

A

This is Howard Wenger. Of course, you're going to get some differences in views, but I would say the majority is a shared view, that solar is bipartisan, that from a manufacturing and jobs perspective where the projects are going,

where the manufacturing taking place is predominantly or majority in the so-called red states, Republican controlled states and so it actually benefits both parties.

We – as a company have done well in all administrations, we did well in the Obama administration, the Trump administration previously. So, so there's a fundamental belief, because it's reality, that solar is the lowest cost form of energy on the planet, and that's going to be the driver in addition to it being clean power, which if you look at the demand that's increasing, the electric demand that's increasing in the US. It's being driven very much by server farms that are supporting AI, data centers, electric vehicles. And so it's part of the electric and clean power revolution that's taking place in the United States, which is needed and being is a fundamental premise, an underpinning for the Inflation Reduction Act. And so Dan mentioned that tax credits and particularly the 30% ITC is the fundamental pillar of Inflation Reduction Act. I mean in tax credits historically have not been repealed. In fact, that would be unprecedented. So, the vast majority from the customer perspective, they're continuing to develop their pipelines, they're continuing to invest millions, tens of millions, hundreds of millions of dollars. You're seeing more money actually going into development and power plant ownership. And so, as we mentioned before, the demand for our products is still very healthy in the US, even with the election that's coming. Appreciate the question. Next question, please.

Operator: The next question comes from Maheep Mandloi with the company Mizuho. Maheep, your line is now open.

Maheep Mandloi

Analyst, Mizuho Securities USA LLC

Q

Hey, thanks for the questions and apologies for some background noise here. I mean, and just on the Ojjo and Tracker Foundation acquisitions, could you talk about like the market share a little bit, just trying to think if there's any anti-trust concerns over that acquisitions. And separately, in the prepared remarks or in the kind of talked about other technologies, other great technologies. Is that kind of directing new acquisitions like directly which you would move or any guidance on that, please? Thanks.

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextracker, Inc.

A

Hi. Thanks for your question, Maheep. With respect to the market share of Ojjo and the Solar Pile International acquisitions in the foundation market, it's a very, very small percentage, a de minimis percentage in those markets. As we noted in the Ojjo press release, we do plan to continue to make that technology available to other trackers that have been qualified to use that technology on a go forward. We think it can help really broaden the range for that Solar can be used out in the market. And so we're very excited about that. And I'm sorry, the second half of your question.

Maheep Mandloi

Analyst, Mizuho Securities USA LLC

Q

Anti-trust.

Chuck Boynton

Chief Financial Officer, Nextracker, Inc.

A

Both of these deals are closed, we looked at them and there's no issue there. Thank you.

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextracker, Inc.

A

Yeah. So thanks for that question. Appreciate it. Sean. Oh, I'm sorry next question. Operator?

Operator: Our next question is from Sean McLoughlin with the company HSBC. Sean, your line is now open.

Sean McLoughlin

Analyst, HSBC Bank Plc

Q

Thank you. Good afternoon. Appreciate the time to ask questions and complements on another barnstorming set of numbers. I had a two part question, if I may. Firstly, you talk about higher supply chain costs. I mean, where is cost inflation concentrated and how do you think about your ability to pass through the costs? And secondly, how do I square the with price reductions? Is this a temporary adjustment? Are you working with suppliers and customers to factor in gains from tax credits? Is this related to international volumes or am I missing something? Thank you.

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextracker, Inc.

A

Sean, appreciate the question. We'll have a two part all for speak to the supply chain situation. And then Howard will speak to the commercial aspects of it. I'd like to again go back to a little flashback four to five years ago. What happened was we saw it in unprecedented speed, probably since World War II. The biggest disruption in the supply chain. We saw logistics triple in less than two quarters in cost, and we saw steel roughly double at that time period.

Nextracker was largely protected then due to our mature sourcing experience with how we think about placing orders in a back to back way with customer orders. But really the logistics piece quite often, most companies really off guard and so we developed this hybrid strategy for building out significant supply chain within key markets. We speak a lot on these calls about the US, but we've done a similar thing in India where built out 10 gigawatts of tracker capacity in India for that market and in other markets around the world, we can either supply the local market with locally produced materials or we can export or do a hybrid of that.

And so this is hard stuff. Okay. It was very difficult for us to achieve 100% domestic content in the United States. It's for deliveries that are happening, early in the calendar year. But that's – what I did, was that provided us a natural hedge on logistics because we also optimized the location of our manufacturing partners with the market as we saw and we set up multiple vendors. So, we feel we're in a very strong position on that. And to be able to give customers confidence and certainty and not – have to go back with changes if our contracts are being executed. Howard, can you speak to the market – the commercial aspects of that question, please?

Howard J. Wenger

President & Director, Nextracker, Inc.

A

Yeah, I just want to add also that when we referenced higher supply chain costs, this is the 45X manufacturing credit for the US production is intended to put US production more competitive and on par with international imports. That's the purpose of it. So we do have higher costs in the US and the 45X serves to offset that. So that's important in the context of that language in the shareholder letter.

Chuck did mention that logistics cost, they picked up some in the quarter, there's quarter-by-quarter variability in some of the supply chain costs. But we worked very hard to lock in our supply chain costs with our customers

because we're sharing visibility of their pipeline with our team and we're able to then forecast and lock in cost. So and on a commercial basis, we've proven that over time we can through cost reduction efforts, through design efforts, through R&D, we can reduce steel while still providing a high reliability, high quality product that we can stand behind.

Lowering cost, lowering price, increasing TAM and enabling the company to scale and drive cost down and open up the market more for solar. To the point now where for the last two or three years, solar has been the number one source of new power generation in the world. So, the formula is working. We're part of that as the market leader, we're pleased to celebrate our ninth year of market leadership and we have time for one more question and appreciate your question. Sean, one more question, please.

Operator: Our next question comes from Sean Milligan with the company Janney. Sean, your line is now open.

Sean Milligan

Analyst, Janney Montgomery Scott LLC

Q

Hey, thanks, everyone, for taking the question today. I was looking at the backlog commentary that over \$4 billion and 80% over eight quarters and kind of thinking that maybe there was a little bit less coverage than I thought previously and in the near term, I was just curious if you could comment historically or kind of expected sort of intra-year book-to-ship what that maybe looks like because it seems like on any given year you're also like booking and shipping a lot of revenue and just was trying to get a sense for what that could be.

Howard J. Wenger

President & Director, Nextracker, Inc.

A

Yeah. As we've talked about in previous calls, most of the backlog is in the two to five quarter window and then the remaining above five quarters, we're giving slightly different color where 80% is over the next eight quarters. You can still think of it as a long tail to the backlog. So as you get further out in six, seven, eight, nine, ten quarters out, it's a much lower percentage. So that should address your question.

Sean Milligan

Analyst, Janney Montgomery Scott LLC

Q

Yeah. Thanks.

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextracker, Inc.

I would like to thank – okay, great. And thank you for that. Really appreciate all the shareholder. All the positive feedback on our shareholder letter. Our team worked really hard on this, going to this new format if you give us more time for questions and provide better resolution. We think for folks to understand our business, we're excited about, you know, what's come this year and we look forward to advancing the clean energy transition with customers and partners. Thank you for joining our call today. Mary?

Mary Lai

Vice President-Investor Relation & Financial Communications, Nextracker, Inc.

Thank you. This concludes our earnings call.

Howard J. Wenger

President & Director, Nextracker, Inc.

Thank you.

Operator: That will conclude today's conference call. Thank you for your participation and enjoy the rest of your day.

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