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# Nextracker, Inc. (NXT)

Q4 2024 Earnings Call

## CORPORATE PARTICIPANTS

**Mary Lai**

*Vice President-Investor Relations, Nextracker, Inc.*

**Daniel S. Shugar**

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

**Howard J. Wenger**

*President & Director, Nextracker, Inc.*

**David P. Bennett**

*Chief Financial Officer, Nextracker, Inc.*

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## OTHER PARTICIPANTS

**Praneeth Satish**

*Analyst, Wells Fargo Securities LLC*

**Philip Shen**

*Analyst, ROTH MKM*

**Brian Lee**

*Analyst, Goldman Sachs & Co. LLC*

**Mark Strouse**

*Analyst, JPMorgan Securities LLC*

**Vikram Bagri**

*Analyst, Citigroup Global Markets, Inc.*

**Christine Cho**

*Analyst, Barclays Capital, Inc.*

**Dylan Nassano**

*Analyst, Wolfe Research LLC*

**Maheep Mandloi**

*Analyst, Mizuho Securities USA LLC*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good afternoon, everyone, and thank you for standing by. My name is Sierra, and I will be your conference operator today. Today's call is being recorded. I like to welcome everyone to Nextracker's Fourth Quarter and Full Fiscal Year 2024 Earnings Call. After the speakers' remarks, there will be a Q&A session.

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

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**Mary Lai**

*Vice President-Investor Relations, Nextracker, Inc.*

Thank you, and good afternoon, everyone. Welcome to Nextracker's fourth quarter and full fiscal year 2024 earnings call. I'm Mary Lai, Vice President of Investor Relations. I'm joined by Dan Shugar, our CEO and Founder; Howard Wenger, our President; and Dave Bennett, our CFO. Following our prepared remarks, we will transition to a Q&A session. As a reminder, there will be a replay of this call posted on the IR website along with our slides and press release.

Today's call contains statements regarding our business, financial performance, and operations, including the impact of our business and 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, slides and

our SEC filings, including our most recently filed Form 10-Q, which are available on our IR website at [investors.nextracker.com](https://investors.nextracker.com). 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, the slides of today's presentation, as well as the financial section of the IR website.

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

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## Daniel S. Shugar

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

Thank you, Mary. Welcome to our fourth quarter and full fiscal year 2024 earnings call. Fiscal year 2024 was a fantastic year for Nextracker and the solar industry. As I reflect on the past year and what's before us, it's increasingly clear that solar will continue to be the leading choice for new power generation, and Nextracker will continue leading solar trackers and system solutions. Our accomplishments last year significantly advanced our mission to be the most trusted and valued renewable energy company by delivering intelligent, reliable and productive solar power.

Nextracker's DNA is about meeting or exceeding expectations with our customers and all stakeholders, including investors. Our results for the last fiscal year reflect that. And Q4 is our fourth consecutive quarter of beating our revenue and profit targets. In Q4, strong execution by Team Nextracker enabled us to achieve record revenue, profits and backlog.

Revenue grew 40% (sic) [42%] year-on-year to \$737 million. We also doubled our adjusted EBITDA year-over-year to \$160 million, and this excludes significant IRA 45X tax credit benefits. In the quarter, both US and international deliveries beat expectations. We reached record international revenue in Q4 of \$242 million, nearly a 90% increase year-over-year, and we reported our fifth consecutive quarter of year-over-year double-digit revenue growth.

Looking at our fiscal year, Nextracker achieved strong execution and significant growth. We accelerated revenue, profits and cash flow to record levels. Equally important, we increased our pace of innovation and products, expanded our global supply chain and our talented global team. We exited the year with \$2.5 billion in revenue, an increase of over 30% from prior year and more than doubled adjusted EBITDA to \$521 million. Our growth was enabled by relentless focus on exceeding customer expectations through innovation, execution and customer service.

Moving to our new contracted bookings. Strong sales momentum globally resulted in a new record backlog of over \$4 billion. Backlog increased more than 50% from last year's \$2.6 billion and tripled over the last two years. As always, our backlog is defined to a strict standard of executed contracts or purchase orders, with deposits, bills of material and ship dates for specific projects.

With robust backlog exiting fiscal 2024, we're introducing annual guidance for next year. For the full fiscal year 2025, we expect revenue to be in the range of \$2.8 billion to \$2.9 billion and adjusted EBITDA in the range of \$600 million to \$650 million, approximately 20% year-over-year growth at the midpoint. Dave will share more on guidance. We're thrilled to announce we have reached a new company milestone of 100 gigawatts shipped since inception. 100 gigawatts of power is twice the peak load of the state of California, the world's sixth largest economy.

While we are the first US solar company to achieve the milestone of 100 gigawatts shipped, we view this accomplishment as a win for the entire clean power industry as well as Nextracker. We're also pleased to announce that we have successfully expanded our global supply chain to over 50 gigawatts annually, with US capacity at over 30 gigawatts annually.

Expanding our global supply chain footprint has been instrumental to scaling the business. We now have over 80 major suppliers strategically located across five continents to support our growth. In the US, we played a key role in revitalizing domestic manufacturing by enabling domestic production in 20 new or expanded partner facilities since 2021.

About two years ago, for example, we inaugurated a new facility in Pittsburgh with JM Steel. Just last month, we celebrated the expansion of the same facility with JM Steel and tripling annual capacity. Today, we are in an excellent strategic position globally, with manufacturing partners operating more than 80 facilities with bespoke Nextracker dedicated production equipment in many of them.

We're raising the bar even higher. Just a few weeks ago, we launched the industry's first low carbon tracker solution with up to 35% lower carbon footprint and announced sales orders from leading customers. Initially offered in the United States, the low carbon tracker solution includes life cycle assessment documentation using third-party verified analysis of environmental benefits.

Nextracker also achieved a carbon footprint label certification issued by the Carbon Trust for NX Horizon Low Carbon Tracker. And we've doubled down on innovation. Over the last two years, we've doubled our R&D investments to drive product development and allow for global expansion. Fiscal 2024 was a key investment year as we built out product groups, program management teams, sales and engineering teams. We also began a third global R&D Center for Solar Excellence in India, complementing our existing R&D facilities in Brazil and headquarters in Silicon Valley. These centers all have dedicated labs and teams co-located with field testing and piloting of products and solutions.

And finally, we've trained over 1,000 solar workers in five of our PowerworX training academies around the world. Our training programs include tracker installation, commissioning and operations and maintenance. This is a value-added service for our EPCs, owners and developers, and we're helping elevate the solar sector with skilled workers.

We believe our technologies, protected by over 500 issued and pending patents, enable our customers to achieve the best financial returns because they operate at the lowest levelized cost of energy. We further believe this is achieved because our systems generate more energy and are lower cost to operate and lower risk across a wide range of extreme weather, including wind, hail and flooding.

We also recognize that our activities can have an impact on the environment. In our recently published environmental policy, we outlined our commitment to managing operations in an environmentally responsible manner. Providing a safe workplace for our people and our partners is one of our core values, which is why I'm pleased that we earned the ISO 45001 certification for our safety management system during the fiscal year, achieving the latest global occupational health and safety accreditation.

We'll now provide a market update. Solar deployments continued to accelerate in most of the world because solar is the lowest cost option for new power. As covered on our last call, the US Energy Information Administration is forecasting solar to be the fastest growing energy technology, with a 26% compound annual growth over the next

five years and becoming the number one energy source within a decade. Nextracker's history of 30% CAGR over the last five years reflects favorably on the EIA forecast, as does our strong backlog.

On prior earnings calls, we've had questions regarding sector headwinds and interconnection permitting and other areas. We noted that these headwinds can be real for any given project or customer, but that the total universe of projects and customers has grown such that in totality the market continued strong growth. We thought it would be helpful to put some numbers to that using our largest market, which is the US. In our slides, you will find analysis from the US Department of Energy's Lawrence Berkeley Labs that pull source data from US independent system operators related to the US pipeline.

The result is that solar totally dominates plant power with 60% of the current queue positions. Nearly 7,000 solar projects have queue positions in the US with solar and solar plus storage, comprising about 1,500 gigawatts of new capacity. For context, the new solar and solar plus storage projects have more total capacity than the entire existing US power generation sector. This queue position analysis by DOE provides graphic proof that solar and storage are leading the US energy transition.

Solar dwarfs queue positions for natural gas by an astounding factor of 25 times, and there are zero new nuclear or coal plants in the queue. This trend is not a strictly US phenomenon. Rather a trend of multiple regions globally. Solar is leading global energy capacity additions, and solar economics have never been more favorable. As the world transitions to renewable energy, Nextracker is increasingly well positioned in the solar power ecosystem to drive growth.

Now I'll turn the call over to Howard Wenger, our President, to expand on our commercial progress and products.

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## Howard J. Wenger

*President & Director, Nextracker, Inc.*

Thank you, Dan. We indeed had an outstanding Q4 and full fiscal year setting revenue records for both US and international segments. We continued to see solid demand globally with significant orders where we have tracker fleets operating in nearly 40 countries. Our backlog at the end of Q4 reached a new record of over \$4 billion. Backlog has increased every quarter since our IPO in February 2023. In fact, we have more than tripled our backlog in just two years. Our robust backlog is supportive of our fiscal year 2025 guidance as backlog is defined to a strict standard of executed contracts or purchase orders with deposits, bill of materials and project-specific ship dates. Q4 bookings remain strong globally. In the US, we achieved record bookings for fiscal 2024 by focusing on EPC partners and booking individual projects, as well as continued strategic alignment with developers and owners.

Moreover, our accelerated US supply chain expansion equipped us with domestic content capabilities that tailored well to what our customers need. And now we have even more local supply capacity to pave the way for future growth. We are pleased to announce that we achieved record bookings internationally for the year as well, including sizable customer contracts in India, Australia, Europe and Brazil. A few international milestones are noteworthy for the year. We booked our largest European project ever a 550-megawatt power system in Greece and we booked our largest ever Horizon XTR project at over one gigawatt in KSA or Kingdom of Saudi Arabia. And we had bookings in six new countries, South Africa, Colombia, Hungary, New Zealand, Romania and Sweden.

Now let me address the price environment. As I said on the last call, I can't stress enough that trackers are highly engineered products that factor in conditions such as soil and the foundation requirements, current and future land use, topography, wind speeds, panel type, extreme weather and local permit needs, codes and standards.

Trackers are the backbone of any solar power system that needs to deliver energy for 30 years or more withstanding the elements throughout. We believe there has been a continued flight to quality, even as pricing continues to be competitive. We strongly believe that Nextracker offers the highest quality and most reliable product on the market with the lowest installed cost, lowest operating cost, highest production and best technology and engineering. We further believe this results in Nextracker delivering the lowest LCOE and highest financial returns for plant owners with unsurpassed quality and durability that discerning buyers appreciate.

Finally, we believe that reductions in solar power system costs and pricing is a healthy dynamic. As the solar industry continues scaling, costs along the entire value chain have dramatically decreased, resulting in solar being among the most competitive generation technologies. Lower solar energy pricing has driven a rapidly increasing TAM, and as Dan noted, solar is now the most installed form of new power generation. This is a very exciting dynamic and growth opportunity considering that solar is less than 5% of all global electricity generation.

Nextracker's innovation and cost reduction programs have enabled us to be increasingly competitive, while our volumes expand as the global power sector transitions to renewable energy.

In summary, we had a very successful year in strengthening customer partnerships, capturing new business and delivering a record year of bookings, backlog and revenue. We finished fiscal 2024 with 68% of total revenue from the US and 32% Rest of World. And we had double-digit year-over-year growth in most regions demonstrating again our global scale and expansion where we had over 300 active projects around the world.

Let me now transition to products and solutions and our innovation progress. First, let's discuss our intelligent energy yield maximization software TrueCapture. I'm pleased to report we saw continued increases in customer adoption in fiscal 2024 with record TrueCapture bookings and backlog. Since TrueCapture was created, we have led the industry with over 300 projects and reaching over 50 gigawatts deployed or under fulfillment. TrueCapture has been extensively validated by third-party engineers and is generally a meaningful driver of improved energy yield and LCOE for power plant owners and TrueCapture is the gift that keeps on giving to our customers as we provide over-the-air updates to automatically upgrade existing TrueCapture projects with subsequent enhancements.

In parallel, we continue to invest in desktop, cloud and mobile software that helps improve commissioning times, enables robust control and measurement of our trackers, and generally enhances our customers' experience.

Now shifting to Horizon XTR. The industry's most deployed and proven all-terrain solar tracker first delivered in calendar year 2019, and with more than 90 utility scale projects operating or in fulfillment. We've had an excellent response from our customers reaching a cumulative 15 gigawatts deployed or under fulfillment in Q4. And we booked the largest XTR project in fiscal 2024, a world record first for the industry of a 1-gigawatt project for a train following tracker. Horizon XTR was developed to drastically reduce time consuming and costly projects high grading and our XTR tracker can also allow for soil settlement and subsidence. This past fiscal year, we doubled the undulation capability of Horizon XTR to conform to even more sloping terrain, opening up even more solar sighting possibilities, unknown soil conditions and uneven terrain present unique risk for developers and owners. XTR can de-risk projects by moving less earth and deploying shorter piles, which can reduce costs and mitigate soil erosion, leaving valuable topsoil intact for future farming use.

Let's now address severe weather. There has been an increased prevalence of extreme weather around the world. We believe we have the industry's most capable and responsive tracker for severe weather, equipping owners with operational tools for mitigating risk. For example, a number of utility scale solar systems have

experienced hail damage. Hail damage depends on many factors, including hail size, wind speed and direction, panel glass thickness and construction, tracker tilt angle and operator actions.

In response, Nextracker collaborated with customers to develop an industry-first hail stow technology that has helped mitigate risk with initial deployments three years ago. This year alone, Nextracker already has documented hundreds of successful hail stows in Texas through the use of our software. So far, in calendar year 2024 of the 27 Texas projects that were subjected to hailstorms and had our NX NAVIGATOR and hail stow installed, none of them reported hail damage. To address the most extreme hail, Nextracker developed a next generation, fully automated hail stow technology, which we announced in September 2023 called Hail Pro, with up to a 75-degree rotation angle. Our hail stow functionality at a high 75 degree angle to mitigate risk by dramatically reducing the probability of panel breakage. We plan to have our initial deployments later this year.

With respect to flooding, our NX Horizon tracker is designed above the floodplain with self-powered architecture in which sealed gears, controllers and motors are all mounted to the steel torque tube itself. This elevated design configuration typically provides a minimum flood clearance of 3 feet. Our NX NAVIGATOR control system has flood stow functionality that can stow to a safe position with a single press of a button by plant operators, or can automatically stow when equipped with flood sensors.

Now, moving to wind engineering, which is vital to trackers. We recognized early on that applying minimum static pressure wind design code standards to solar trackers is inadequate. We pioneered characterization of dynamic wind forces and solar arrays, including phenomenon such as torsional galloping over the last decade, publishing whitepapers and webinars since 2019. This fundamental research, combined with full scale outdoor field testing at the National Renewable Energy Laboratory in Colorado, was integrated into our products. As a result, Nextracker NX Horizon systems have had no substantial wind failures over the last seven years.

On multiple sites and occasions around the world, Nextracker systems have endured extreme wind events reliably, while adjacent competitive tracker systems suffered extensive and widespread damage.

Customers understand that engineering and technology really matter. We believe we are driving the gold standard for solar trackers, and this is being rewarded with repeat customer orders. Our unrivaled inventions and technologies in mechanics, electronics and software help customers de-risk projects and improve project economics while expanding geographic areas where solar is cost-effective. Our catalog of positive attributes, earned and proven over many years translates into what we believe is the most bankable product with the lowest leveled cost of energy.

In summary, we are immensely proud of our team's execution and milestones achieved this past year, and we are ready to take on and deliver a strong fiscal 2025.

Now, I turn the call over to Dave Bennett, our Chief Financial Officer, to review financials. Dave?

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## David P. Bennett

*Chief Financial Officer, Nextracker, Inc.*

Thank you, Howard. Before I start, I'd like to remind everyone that all references to financial metrics, except for revenue, are non-GAAP adjusted and all growth rates are year-over-year, unless otherwise stated. As a reminder, our Q4 non-GAAP results exclude the IRA 45X benefits recognized in the current quarter for GAAP purposes. The results for Q4 and fiscal year 2024 both set new records, delivering double-digit growth for the top line and triple-digit growth for profits.

Starting with our quarterly results. Q4 was our fifth consecutive quarter of year-over-year growth since the IPO. Revenue closed at \$737 million, up 42%, driven by 27% growth in the US market and 89% growth in the rest of the world. Q4's revenue mix was 67% US and 33% rest of world. There was strong execution by our teams in progressing projects to plan this quarter, and we did not encounter weather delays that often impact deliveries in the last two weeks of the quarter.

Gross margins for the quarter expanded by just over 10 percentage points from the prior year to 30% as a result of strong execution on our contracts, continued efforts optimizing our supply chain, and exercising consistent pricing discipline.

Adjusted EBITDA for Q4 was \$160 million, an increase of \$87 million or 120% growth. Our Q4 EBITDA margin of 22% was up nearly 800 basis points for the prior year. Adjusted diluted earnings per share was \$0.96 in the quarter.

Turning to full year results. Fiscal year 2024 was our third consecutive year of double-digit revenue growth. Revenue was \$2.5 billion, up 31%, with the US representing 68% of the mix and the rest of the world at 32%. Despite some quarterly variations in mix throughout the year, overall, very balanced 30% plus growth across both markets.

Full year gross margins expanded to 28% as a result of our strong execution, as well as our success in achieving structural enhancements to our business throughout the year, which included optimizing our global supply chain and increasing our localized content offering, resulting in lower material and logistics costs on top of faster lead times. Gross margins also benefited from a larger US mix, which, on average, carries a higher pricing range and margin profile compared to the rest of the world.

Turning to operating expenses, which includes R&D expense. We have strategically increased these costs by \$83 million or 86%, as we continue to invest in our growth, innovation and stand-alone public company infrastructure, post-spin from Flex. Going forward, we expect to maintain our investment in operating expenses at between 7% and 8% of revenue.

Full year adjusted EBITDA was \$521 million, an increase of \$312 million or 150% growth, establishing a new annual record for the company. We have more than doubled our EBITDA dollars in the last year. Full year adjusted EBITDA margin of 21% was up nearly 10 percentage points from the prior year.

Adjusted diluted earnings per share was \$3.06 for the year. As previously stated, the separation from Flex increased our public float by approximately 74 million shares, but did not impact our diluted EPS. Adjusted free cash flow was \$113 million for the quarter and \$427 million for the year, driven by strong net working capital management, customer deposits, and higher EBITDA.

Net working capital at the end of Q4 was approximately 16% of trailing 12 months revenue, which was slightly above our expected 10% to 15% levels, primarily due to the recognition of \$126 million of vendor rebate receivables recorded in conjunction with the IRA 45X incentive that I will cover shortly.

Our high quality balance sheet, cash flow generation and ample liquidity remain competitive advantages. We closed the quarter with \$474 million in total cash, which is greater than 3 times our total debt of \$150 million. Total liquidity at the end of Q4 was over \$800 million. We continue to operate with a debt to EBITDA ratio of less than 1 with no significant debt maturities until fiscal 2028.



Our financial strength supports our capital allocation strategy with the following key highlights. Our capital deployment is focused on enabling growth. Free cash flow conversion is expected to be greater than 70% excluding M&A. We are in a net cash position and our current debt to EBITDA ratio is less than 1 as we are committed to maintaining a differentiated capital structure.

Under the current framework, we will evaluate future M&A with discipline and would expect investments to be funded through our operating cash flows and incremental debt capacity if required. In the short-term, given our projected growth and limitations with our previous Flex spin-out structure, we are currently not planning to execute on a dividend or a share buyback program.

Let me now transition to the IRA 45X benefit considerations for Nextracker. We have developed valuable relationships with our critical vendors and have successfully executed multiple supply agreements, many exclusive to Nextracker. As previously stated, the IRA 45X incentives currently earned are in the form of a rebate from our vendors. The key objective is to reduce cost of materials to enable domestically made products to be more cost competitive with imports.

So far, we have achieved our objective of reducing the cost of materials. Let me provide some details. During the fourth quarter of fiscal 2024, we recorded a cumulative adjustment to recognize 45X vendor rebates on production of eligible components shipped to projects after January 1, 2023. As of the end of Q4, we recognized \$126 million in other current assets related to the rebate receivable from our vendors, of which \$121 million was recognized as a reduction in GAAP cost of sales. The remaining \$5 million was deferred as of year-end to be recognized as a reduction to cost of sales in fiscal 2025.

The \$121 million GAAP cost of sales reduction exceeded our previously anticipated range of \$50 million to \$80 million in Q4, mainly due to increased volume and final assessment of the contractual terms impacting the timing of realization. Our fiscal 2025 guidance that I will share next includes the estimated IRA 45X benefits. As we previously communicated, we are operationalizing the IRA 45X incentive into our procurement process and financial reporting systems. Therefore, we believe the 45X benefits should be reported with our consolidated financial results for fiscal 2025 and moving forward.

Our structural margin has increased from the mid-20s to the high20s for fiscal 2025. This expected increase factors in 45X benefits, variations in regional and customer mix and expected pricing pressure that may lower ASPs. The 45X benefit is one element that lowers the cost of our trackers and is used in combination with other elements, including cost downs, lower logistics costs and maximizing local content, all of which come together in the form of lower LCOE that along with pricing discipline, supports our confidence in our structural margin profile. As always, we encourage you to evaluate Nextracker on an annual basis to reflect the nature of our large-scale projects.

Therefore, we will not provide quarterly guidance, but we will provide top line comments as guideposts. Based on the current timing of projects, Q1 fiscal 2025 year-over-year revenue growth is expected in the range of 25% to 30%. Our fiscal 2025 guidance is as follows. We expect revenue in the range of \$2.8 billion to \$2.9 billion. At the midpoint, we are expecting approximately 14% growth year-over-year. We expect adjusted EBITDA in the range of \$600 million to \$650 million. At the midpoint, we are expecting approximately 20% growth year-over-year and an implied EBITDA margin of approximately 22%.

GAAP EPS is expected to be between \$2.41 to \$2.61 per share and includes approximately \$0.48 related to stock-based compensation and intangible amortization. Adjusted EPS is expected to be between \$2.89 to \$3.09 per share, based on 153 million weighted average shares outstanding. Net interest and other expense is

expected to be between \$15 million to \$20 million. We expect the fiscal year adjusted income tax rate to range between 20% to 25%.

I will now turn the call back to Dan for concluding remarks. Dan?

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## Daniel S. Shugar

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

Thank you, Dave. I'm so proud of our team and what we've accomplished last year. We're excited that this new year is off to a great start and we look forward to advancing the clean energy transition with our customers and partners. Lastly, on behalf of the company and the Board, we want to thank Dave Bennett for his significant contribution to Nextracker and we're thrilled to have him continue as our Chief Accounting Officer. Our new Chief Financial Officer, Chuck Boynton, is expected to join Nextracker later this month and we look forward to Chuck and Dave leading our fabulous finance and accounting teams.

We now look forward to your question. Let me pass the call back to the operator.

# QUESTION AND ANSWER SECTION

**Operator:** Thank you. We will now begin the Q&A session. [Operator Instructions] Our first question today comes from Praneeth Satish with Wells Fargo. Please proceed.

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## Praneeth Satish

*Analyst, Wells Fargo Securities LLC*

Q

Thanks. Maybe if I could start on the backlog here, another impressive quarter. Can you give us your latest forecast for converting that into revenue? Are you seeing kind of the conversion cycle elongate? I think, you've mentioned in the past that it typically the majority converts to revenue within a 12-month window. So just trying to see if there's any changes to that pattern or kind of a shift towards projects with extended timelines?

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## Howard J. Wenger

*President & Director, Nextracker, Inc.*

A

This is Howard Wenger. Thanks for the question. Yeah. We're pleased with the growth of our backlog. Typically, it results in revenue in two to eight quarters and most of that in two to five quarters.

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## Praneeth Satish

*Analyst, Wells Fargo Securities LLC*

Q

Got it. Okay. And then, maybe just switching to the guidance here on 45X credits. Can we assume that based on the guidance that some of that benefit, the 45X credit is going to be shared with customers based on the way you worded it in the form of potentially ASP reductions? Just trying to unpack, the difference between 30% gross margin this quarter to high 20% gross margin for the guidance? And how much of that is based on, 45X versus sharing with customers?

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## David P. Bennett

*Chief Financial Officer, Nextracker, Inc.*

A

Sure. This is Dave Bennett. I'll take that and then Howard can supplement as he sees fit. The structural rate that you spoke about, we did increase based on a lot of factors. One of those is the fact that we do have a lower cost

of BOM as a result of the 45X credit. That's just one of the things we use and then we spoke about it as we moved through fiscal 2024 into our guide for fiscal 2025. We've also optimized our supply chain. We also need to exercise consistent pricing discipline. All of those come together.

So in the end, the pricing element is set, not necessarily specifically to share the 45X, it's a combination of what we put together. We're very focused on maintaining the price that we put out and ensuring the structural margin at the gross margin level in, the high 20s, which gets you to a 22% midpoint EBITDA. So that's all baked in. Howard, I don't know if you have anything to add?

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**Howard J. Wenger**

*President & Director, Nextracker, Inc.*

A

The only thing I'd add is that the 45X credit is doing what it set out to do as a policy mechanism, which is to onshore and reshore supply chain to the United States. We've done that. We have over 20 facilities now that are manufacturing our components in the United States. So we've really domesticated our product, and it's a mechanism to equilibrate the costs of this local supply chain to what we would have done by importing the product internationally. So it's working. And of course, we're innovating. We're driving down costs, which we need to do. And we are lowering price over time in a disciplined manner, because that's what the solar industry has done for the last 10 years.

As Dan showed in his or what he mentioned in his remarks and showed in graphically in the presentation is how big the solar industry has become now. And it is the dominant form of energy in the interconnection queues bigger than the total installed capacity that's serving the US market. So these policies are working. And in the way we got there to that picture was by driving cost out, scaling up and lowering the price of solar energy to customers. And that's going to continue.

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**Praneeth Satish**

*Analyst, Wells Fargo Securities LLC*

Q

Got it. Thank you. And congrats to Dave and Chuck. Thanks.

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**David P. Bennett**

*Chief Financial Officer, Nextracker, Inc.*

A

Thank you.

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**Operator:** Our next question today comes from Philip Shen with ROTH MKM. Please begin.

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**Philip Shen**

*Analyst, ROTH MKM*

Q

Hey, guys. Thanks for taking the questions. Congrats on the strong quarter. You guys have had I think five quarters in a row since you've been a publicly traded company of about a \$1 billion of bookings a quarter. This quarter was very strong. It seems like at least \$1.2 billion. What do you expect for next quarter and the quarter beyond? And how long do you think you can keep this going? And then as it relates to the structural margins, can you talk about the \$1.2 billion from Q4, would you say that those bookings had the high-20s gross margins? Or is there a chance they're different from what the FY 2025 guide looks like? Thanks, guys.

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**Howard J. Wenger**

*President & Director, Nextracker, Inc.*

A

Thanks for the question, Phil. I'm not going to confirm or deny the \$1.2 billion, but I will confirm that we did book more than \$1 billion in the quarter. And so, we are happy with our performance. It's consistent with the previous quarters, as you've mentioned. And as far as the macro going forward, the market is really strong. You saw what's in the interconnection queue. Our pipeline continues to be robust. I know you like that word. And it's the truth. Demand is strong in the US, it's also strong in multiple regions around the world.

As for the margin question, we're not guiding to that or providing more color on that at this time. And we really are not giving guidance for bookings and going forward, but appreciate the question.

Dave, did you have anything else you wanted to add?

**David P. Bennett**

*Chief Financial Officer, Nextracker, Inc.*

A

No. Phil, I mean you hit it. We're looking at the entire year for the margin that is weighted across all quarters. Certainly, we execute on cost downs quarter-over-quarter, so we're going to continue to do that. So the profitability, as these roll out, may be on a different cost base. So all in, we've given the full weighted margin for the year of fiscal 2025. And we're committed to that higher structural margin, which is approaching that 30% gross margin.

**Philip Shen**

*Analyst, ROTH MKM*

Q

Great. Thanks, guys. Shifting over to the overall industry with the Southeast Asia, AD/CVD, I was wondering if you've seen any impacts at all in your conversations with customers. I know you talked about the number of projects being strong and the queue being large. But was wondering if you see risk at all with the industry slowing down, given the number of headwinds that the industry is facing? Thanks.

**Daniel S. Shugar**

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

A

Hey, Phil. It's Dan Shugar. We haven't seen that issue impact velocity in the market or bookings. Demand is strong. Last week, there was the American Clean Power event in Minneapolis. We had other events. I didn't hear any customers bring that up.

**Philip Shen**

*Analyst, ROTH MKM*

Q

Great. Okay. Thanks, Dan. I'll pass it on.

**Howard J. Wenger**

*President & Director, Nextracker, Inc.*

A

Thanks, Phil.

**Operator:** Our next question today comes from Brian Lee with Goldman Sachs. Please proceed.

**Brian Lee**

*Analyst, Goldman Sachs & Co. LLC*

Q

Hey, guys. Thanks for taking my questions. Kudos on the nice execution. Maybe first one, just going back to the backlog. Appreciate, Howard, the greater than \$1 billion bookings disclosure here. So obviously, you did book-to-

bill well over 1 in the quarter. Is that true of both the US and international? And then, related to that, I guess the last two years, US and rest of the world sales mix has been consistent at around 70% to 30%. Is that what you'd expect in fiscal 2025, or do you see either geo growing faster this year? And then, I had a follow up.

**Howard J. Wenger**

*President & Director, Nextracker, Inc.*

A

Yeah. Thanks. This is Howard again. The answer is that, as far as the last part of your question, we've been remarkably consistent as a company with the two-thirds, one-third. If you look at the history of hitting this 100-gigawatt milestone, two-thirds of that was shipped to the US and one-third to international, roughly. And we're seeing that quarter-by-quarter, year-on-year – year-over-year. So we expect that same mix going forward. We see strong growth in both markets, meaning rest of world and the US and don't see that shifting out or go up, the balance going one way or the other. Both are growing at roughly the same pace.

**Brian Lee**

*Analyst, Goldman Sachs & Co. LLC*

Q

Okay. Growth in both areas. That's good to hear. And then, just a follow up on the margins and the IRA credits discussion here again. Dave, you mentioned during your remarks that there was \$60 million roughly more in IRA credits recognized and guided at the midpoint. So I guess, wanted to dive into that a little bit. I would have expected maybe more EBITDA growth, apples-to-apples on the mid-teens revenue growth you're guiding for in fiscal 2025 when we're including the IRA impact for both 2024 and 2025. So how much of that pull-forward is coming out of 2025 into 2024, you would have otherwise recognized over the next 12 months? And then, how much of this – and maybe it's just the pricing and passing through more of the credit that you mentioned during your remarks as well? Thank you, guys.

**David P. Bennett**

*Chief Financial Officer, Nextracker, Inc.*

A

Understand. Yeah. Let me be very clear. None of it was pulled into 2024 from 2025, okay? The beat relative to what we guide was simply due to the evolving of kind of the second half of my prepared remarks sentence was in final determination of the realization. You'll see that others deferred a larger portion than we did and determining that element was what was kind of uncertain at the time we did the guidance. We kind of – and then also we beat with higher revenues as we did for Q4. So that's really driving the incremental amount.

In terms of fiscal 2025 and the amount of [indiscernible] (00:46:56) we've been talking about, 45x is part of our combination of elements we use to lower the cost. It's a meaningful part of it. It's not the only part, along with what we expect to have some pricing pressures that are normal that Howard spoke to. All of those come together. So to some extent, it is covering some of that pricing pressure to maintain the margin and increase it, if I could add.

**Howard J. Wenger**

*President & Director, Nextracker, Inc.*

A

Thank you for the question.

**Operator:** Our next question today comes from Mark Strouse with JPMorgan. Please proceed.

**Mark Strouse**

*Analyst, JPMorgan Securities LLC*

Q

Yeah. Hey, guys. Thanks for taking my question. I apologize for the background noise here. I wanted to go back to Phil's question on AD/CVD. Assuming that there is an investigation and some of your customers might be looking to switch the type of panels that they are using, can you talk about how easy that process is? Does that result in a change order with you? And if so, can you talk about who is responsible for bearing that? Is that something that you would share with the customer or are they on the hook for that?

**Daniel S. Shugar**

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

A

Hey, Mark. Dan Shugar. Thanks for the question. I'll point out that First Solar is a much larger part of the US supply position today than it has been in recent past, as sort of thing one. Thing two, there's been a homogenization around the mechanical size of crystalline solar panels over last few years. There is basically two classes of panels. I'll call it the 700-watt class and the 600-watt class or 550-watt class solar panels. So whether it's Nextracker or a different tracker, usually when you're weighing out a system, you need to know, is it the First Solar, is it the lower power class of crystalline power or the higher power class.

The other thing I'd point out is that we are making substantially, well, the vast majority of the tubes that are going to US projects are happening in the United States. Our lead time is short. Our flexibility is higher. And we just don't see that type of switch being an issue or imposing a significant cost on the customer. It would be my high level response to that question.

**Mark Strouse**

*Analyst, JPMorgan Securities LLC*

Q

Okay. Okay. Thanks, Dan. And then, just a real quick follow up. I'll take the rest offline. Last quarter, you talked about some [indiscernible] (00:50:04) just curious if that's still happening or you're back to normal yet? Thank you.

**Daniel S. Shugar**

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

A

I'm sorry you faded out for just a sec, Mark. You said last quarter and then we lost you for a second.

**Mark Strouse**

*Analyst, JPMorgan Securities LLC*

Q

Yeah, I'm so sorry. Just an update. Last quarter you talked about the Red Sea rerouting some of your shipping. Is that still happening or are you back to normal?

**Daniel S. Shugar**

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

A

That's a non-material issue for our results this last quarter for our plan.

**Howard J. Wenger**

*President & Director, Nextracker, Inc.*

A

Thanks, Mark.

**Mark Strouse**

*Analyst, JPMorgan Securities LLC*

Q

Got it. Okay. Thank you.

**Operator:** Thank you for your question. We do ask in the interest of time going forward, that you please limit yourselves to one question each to get through the queue. Our next question today comes from Vikram Bagri with Citi. Please proceed.

**Vikram Bagri**

*Analyst, Citigroup Global Markets, Inc.*

Q

Good afternoon, everyone. Dan, you mentioned and we know you've been beating estimates since going public, which is very impressive. When you're looking ahead, what catalysts do you think could play out that could make you exceed revenues and margins this fiscal year? There are a number of topics on our mind, which can make you exceed those targets whether it's higher conversion or posture conversion of backlog, higher IRA credits that you're baking in. Just wanted to see like from your vantage point, what catalysts do you have on top of mind, which would make you exceed the guidance? And related to that, your peers have indicated that in their backlog they have not shared 45x credits with any of their customers. It's not in their contracts yet. Is that true for you guys as well? Thank you.

**Daniel S. Shugar**

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

A

Hey, Vikram. Dan Shugar. Thank you for your question. Look, we covered on prior calls, there are a lot of tailwinds in the sector. But the way we roll at Nextracker is we establish plans that are resilient to be able to endure unknowns. And then we want to be able to perform reliably. So are there any number of tailwinds that could allow the plan to be exceeded? Definitely. But we're building a robust plan and managing the business to be able to meet or exceed performance.

With respect to 45x credit, Howard commented, what the motivation of those was, was to really focus with onshoring. Look, I really want to point out something we covered also on a prior call, which is that most of the projects being done in the US today were predicated on much smaller investment tax credits, typically in the 10% region. They're now 30% and in some cases 40%. So, the developer owners are enjoying that significant benefit in the increased credit. And that's which is order of magnitude plus higher than what we're talking about for the 45x. So that's our comment on that.

**Howard J. Wenger**

*President & Director, Nextracker, Inc.*

A

Next question, please.

**Operator:** Yes, our next question comes from Christine Cho with Barclays. Please proceed.

**Christine Cho**

*Analyst, Barclays Capital, Inc.*

Q

Good evening. Thank you for taking my question. So, could you give us an idea of the breakdown of your VCA, non-VCA, rest of world and US in your backlog? And when we think about pricing pressure that you mentioned at the end of the year, based on your comment, it sounds like you have already baked it into your contracts, but how much of it will depend on what your competitors are doing? Is there some extra cushion in here? And because you guys always talk about being disciplined on pricing? And you're talking about high-20s gross margin. So how do you define like discipline on pricing? Where is the right level that you wouldn't go below?

**Howard J. Wenger**

*President & Director, Nextracker, Inc.*

A

Howard Wenger here. Thanks for the questions, Christine. So we are not breaking out VCAs in our backlog. Why? Because we have a strict standard for backlogs, which the VCAs meet. And they're just considered part of our backlog like any other contract or purchase order because they contain deposit specific project names, specific ship dates. And a commitment, a binding commitment. So, we're not breaking it out for that reason. Backlog is backlog.

As far as pricing and so forth, every project is different. And you have to think about these projects. They're on the order of \$150 million, \$200 million, \$300 million, \$500 million of investment, and we comprise less than 10% of these projects that – the cost of these projects. So being the backbone of the system, being so critical to the operation of the plant for 30 years plus, quality, durability, really, really matter. And discerning buyers really pay attention to track record and third-party validation of all of the claims that a company like Nextracker and others make.

So that said, it is competition works and capitalism works. And we want to continue to drive cost down and prices down over time for our customers so we can increase the total TAM. And that's exactly what we're doing and that's what we plan on doing. Really appreciate the question. Thank you.

**Mary Lai**

*Vice President-Investor Relations, Nextracker, Inc.*

A

Next question, please.

**Operator:** Yes. Our next question comes from Dylan Nassano with Wolfe Research. Please proceed.

**Dylan Nassano**

*Analyst, Wolfe Research LLC*

Q

Yeah. Hey, everyone. Good evening. I just want to go back to the revenue guidance relative to the backlog. So, if I look at the 2024 your initial guidance range, you kind of compared that to the backlog of \$2.6 billion at the time. I mean, obviously, you ended up beating raising and you ended up realizing almost the 100% of that backlog. But just comparing that to the guidance for this year relative to the backlog, where I mean, it seems like there's some conservatism embedded in there. Just can you just provide any color on where exactly that would be or anything that would kind of make last year different from this year? Thank you.

**David P. Bennett**

*Chief Financial Officer, Nextracker, Inc.*

A

Hi, Dylan. Yeah. I think Howard just really kind of touched on this with – it's about individual projects and their timing to delivery and the content of our backlog that we consider VCAs and EPC contracts the same in that backlog now, so relative to the rollout, Howard, touched on it, at a two to eight quarter clip. I think in the past that's not meaningfully different. But the specific projects that are in that backlog have a timing to ship now. And that's really is what supports our guide.

And keep in mind, our guide has historically – we've proven to you guys that we do factor in the headwinds that can happen. I spoke to it every quarter. We kind of factor in a little conservatism relative to weather and other things in logistics may happen that push individual deliveries out that may impact our achieving a number. So



we've factored that into our guidance. And overall, I think you can see the strong backlog at a record over \$4 billion certainly supports the guidance range.

**Mary Lai**

*Vice President-Investor Relations, Nextracker, Inc.*

A

Thank you. We have time for one more question.

**Operator:** Our final question today comes from Maheep Mandloi with Mizuho. Please proceed.

**Maheep Mandloi**

*Analyst, Mizuho Securities USA LLC*

Q

Hey. Good evening. Thanks for taking the question. Just a question on the 45x and the guidance here. Could you just point to how much that would be – months adjusted could be something around \$100 million? I'm just trying to understand the target gross margin excluding the vendor credit. In the past, you kind of talked about those mid-20s gross margin. It seems like that still works out but just wanted to double check that. Thank you.

**David P. Bennett**

*Chief Financial Officer, Nextracker, Inc.*

A

Sure. Thanks for the question, Maheep. The 45x I've kind of been speaking to this. It's just one of the elements that lowers our cost. It is interchangeable with other elements that lower our cost. So we don't really – and we don't really plan on breaking that out going forward. For fiscal 2024, we were not guiding to it. The accounting was uncertain. The treatment was uncertain from the Treasury. So that was one element we kept separate from our 2024 results.

But going into fiscal 2025, it's absolutely operationalized with our procurement systems, our financial systems and it is included in our guide, including and it was a driver and increasing that structural gross margin profile from the mid-20s up to the high-20s. And that's something we expect to be able to sustain over time. And the 45x credit, to the extent we receive it, is going to be part of that. That's kind of the extent of what we're going to be breaking it out, though.

**Daniel S. Shugar**

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

This is Dan Shugar. I just want to thank the Nextracker team, all our customers, our investors for a fantastic year for fiscal 2024. We're really excited about the industry. We think it's a rising tide here for the industry. For many participants, it's going to – and these really pipeline numbers we're seeing in the queue are overwhelming. It's very exciting. So, we're on a path here with solar to be the number one source of energy in the US and the world. And it's great to be part of it. If we didn't get to your question, apologies for that. But we will speak to you in the callbacks. Thank you very much.

**Operator:** That will conclude today's conference call. Thank you all for your participation. You may now disconnect your line.

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