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Market Intelligence

# **Nextracker Inc.** NasdaqGS:NXT

## *Earnings Call*

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# Call Participants

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**Daniel S. Shugar**  
*Co-Founder, CEO & Director*

**Howard J. Wenger**  
*Director & President*

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# Presentation

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## Operator

Good afternoon, everyone, and thank you for standing by. My name is Joe, and I will be your conference operator today. Today's call is being recorded.

I would like to welcome everyone to Nextracker's Fourth Quarter Fiscal Year 2025 Earnings Call. After the speaker's remarks, there will be a Q&A session.

At this time, for opening remarks, I would like to pass the call over to Mr. Chuck Boynton, CFO. Chuck, you may begin.

## **Charles D. Boynton** *Chief Financial Officer*

Thank you, and good afternoon, everyone. Welcome to Nextracker's Fourth Quarter Fiscal Year 2025 Earnings Call. I'm Chuck Boynton, Nextracker's CFO, and I'm joined by Dan Shugar, our CEO and Founder; and Howard Wenger, our President. Following brief 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 the earnings 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 as such statements involve risks and uncertainties that may cause actual results 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 quarterly report on Form 10-Q and annual report on Form 10-K, which are available on our IR website at [investors.nextracker.com](https://investors.nextracker.com). This information is slightly 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 our IR website. And now I will turn the call over to our CEO and Founder. Dan?

## **Daniel S. Shugar** *Co-Founder, CEO & Director*

Thank you for joining us today to discuss our fourth quarter results and to recap our accomplishments for fiscal 2025. Nextracker had a fantastic year and again delivered strong financial performance for the quarter.

A year ago, we forecast \$2.8 billion to \$2.9 billion of revenue, and we achieved \$3 billion for the full year. We forecast \$600 million to \$650 million of adjusted EBITDA and delivered \$785 million. For this fiscal year, we are set up for another year of solid growth. Chuck will provide the details shortly, but I want to first lay out 3 themes that you will hear during today's call.

First, Nextracker continues to win in the market, driven by a flight to quality and evidenced by our continued strong bookings growth momentum. At our IPO in February 2023, our backlog was \$2.1 billion, and today, it is significantly over \$4.5 billion. We have been the global and U.S. market share leader for 9 consecutive years.

And according to third-party sources in 2024 we further increased our leading global market share with top share in U.S., Europe, Latin America and Australia regions and we hold a strong position in most other major markets.

Second, we believe that we are best positioned to navigate the current policy uncertainties by virtue of our large geographically diversified order backlog with Tier 1 customers, differentiated products that increase customer profitability, our healthy balance sheet and an extremely flexible supply chain comprising over 90 manufacturing sites in 19 countries.

Third, we are accelerating our innovation engine. Acquiring and organically developing adjacent technologies to create a complete solar power platform by scaling new products and services across Nextracker's high-volume global tracker footprint. We can translate modest investments funded from free cash flow into meaningful financial contributions for the company with significant incremental value for our customers.

Our market opportunity is expanding rapidly, driven by the structurally increasing global demand for electricity to power AI data centers, EVs and buildings. This unprecedented surge in electricity demand is approaching the limit of existing generation capacity with terawatts of incremental new capacity needed within the next 5 years. Many key customers have been asking us to offer additional products and services in addition to solar trackers to increase installation speed, improve system performance, and enhance long-term operating reliability.

Customers value our solar domain expertise, innovation capabilities, supply chain acumen, financial strength and business culture. In response to these customer requests, we began to transition from a pure-play tracker company to a solar power technology platform supplier last summer when we acquired 2 specialty foundation companies. Today's announcement that we've acquired Bentek Corporation, a pioneer and electrical balance of system or EBOS, extends this strategy and continues our evolution.

The Bentek acquisition will enable our customers to source both tracker systems and enables us components from a single, highly bankable supplier. And we've completed additional acquisitions that we will be communicating over the coming months. I'm really excited about the opportunities that these combinations will unlock. We will be inviting analysts and investors to our headquarters in the fall to see our technologies firsthand and hear more about our longer-term plans to scale our business.

Before turning the call over to Howard to review some of the highlights from the quarter and year, let me say how proud I am of the contributions of our employees and how grateful we are for the trust and partnership with our customers and suppliers.

### **Howard J. Wenger**

*Director & President*

As Dan noted, we had a great year and finished with a very strong quarter. Demand strength continued in Q4, helping to drive record bookings and backlog for FY'25. We believe Nextracker is benefiting from a general flight to quality, leading to expanded market leadership. Customers continue to recognize our differentiated advantage driven by our technology platform and supply chain, faster installation times, operational superiority, including superb on-time delivery and overall bankability and strength.

In the U.S., the general market environment remains strong. Tier 1 owner developers continue to advance their projects and bring them to notice to proceed. Multiple owner-developers have told us that their pipelines are secure, including making the necessary safe harbor investments and locking in domestic supply.

We are seeing substantially increased demand for a 100% domestic content tracker, which is currently being shipped to many projects. In the international arena, outside the U.S., we signed contracts in 17 different countries in Q4 alone with dozens of new utility and DG projects across the globe. The international pipeline continues to grow, and we are seeing more countries installing solar.

In Europe, we had the strongest year ever, delivering record-breaking volume. Spain was particularly strong, and we saw good traction across other countries in Europe. We believe our market share grew to a leading position, benefiting from our XTR terrain following tracker which is critical to this region as well as benefits from our cost reduction programs.

We had a very solid year in Latin America, led by Brazil, and we extended our reach into new countries. We saw increasing sales gains in our TrueCapture yield management platform. Regional independent engineers now recognize the benefits of TrueCapture through extensive measurement and verification programs, which owners rely on for their purchase decisions.

We were also pleased to see Latin America's first installation of our NX Horizon low-carbon tracker. And finally, we had excellent gains and big wins in other markets, including Australia, New Zealand, India, Saudi Arabia and South Africa.

Now turning to R&D and Nextracker's innovation DNA. In Q4, we reached a record 1,220 patents, including 646 issued patents and 574 patents pending. These patent assets reflect our focus on engineering excellence and solving real-world challenges at scale. From control algorithms and structural design to tracker performance improvements, each patent represents a meaningful source of value for Nextracker and for our customers.

Our innovation focus drove strong demand for new products in FY'25. This includes excellent uptake for our Hail Pro series trackers with over 9 gigawatts of Hail Pro 60 and Hail Pro 75 sold during the year, providing solutions that really matter to owners in the insurance industry. We sold 17 gigawatts of XTR 0.75 and XTR 1.5 during the year, reinforcing our global leading position in terrain following.

And we exceeded our sales plan for our recently acquired foundations business with 1 gigawatt booked -- moving to pricing, costs and project timing. In Q4, pricing for Nextracker was generally stable, and the company continues to manage costs well.

Project timing was also stable and manageable on a portfolio basis in the quarter, with some projects accelerating and some pushing out, which as we have noted previously, is the nature of large-scale projects spanning multiple quarters and years. Our backlog and large project portfolio provide excellent visibility and help reduce uncertainty.

In summary, we had a great year, and we enter our new fiscal year with momentum. We are well-positioned to achieve our FY'26 outlook, bolstered by strong backlog and the quality of our customer partnerships. Furthermore, we are excited to expand our product offering by adding EBOS, foundations and enhanced services to our global leading tracker offering.

Our customers want us to do more, and we are responding. We look forward to the upcoming Analyst Day in the fall, where we will discuss in more depth our solar power platform strategy. Now I'll turn the call over to Chuck to discuss the outlook among other topics. Now I'll turn the call over to Chuck to discuss the outlook among other topics.

**Charles D. Boynton**  
*Chief Financial Officer*

Thank you, Howard, and good afternoon, everyone. I'm pleased to share our financial results for the fourth quarter and fiscal year 2025. We closed the year with yet another exceptional quarter, reflecting strong execution by the global Nextracker team and continued momentum in a utility-scale solar deployment worldwide.

Let's start with revenue performance. Q4 reached a record \$924 million, up 26% year-over-year, bringing our full-year revenue to approximately \$3 billion, an 18% increase over fiscal '24. Similar to fiscal '24, our full year geographic revenue mix was 69% in the U.S. and 31% from the Rest of the world.

Now moving to profitability. Q4 adjusted EBITDA expanded to a record \$242 million, a 52% increase year-over-year with an adjusted EBITDA margin of 26%. For the year, adjusted EBITDA was \$776 million, also a record and up 49% compared to fiscal '24. As a reminder, fiscal '24 adjusted results did not include 45x credits. Adjusted gross profit for the year was just over \$1 billion. Q4 adjusted gross margin was 33.4%, down 260 basis points from Q3, primarily driven by onetime benefits recognized in the prior quarter.

Adjusted diluted EPS for fiscal '25 was \$4.22, up 38% year-over-year. In Q4, we delivered adjusted EPS of \$1.29, a 34% increase compared to the prior year. We also delivered robust cash flow. Adjusted free

cash flow was \$227 million in Q4 and \$622 million for the full year. Operating cash flow in Q4 was \$237 million, offset by CapEx of \$10 million. We closed the year with \$766 million in cash with no debt and approximately \$1.7 billion of total liquidity. This positions us well to continue investing and our strategic growth initiatives.

During fiscal '25, we used \$150 million of cash to retire our debt and approximately \$152 million of cash to fund key acquisitions including 2 foundation businesses. Today, we also announced the acquisition of Bentek Corporation a leader in EBOS solutions, expanding our platform and enabling integrated offerings that reduce system costs and simplify utility-scale solar deployment.

Looking ahead to fiscal 2026. We expect revenue in the range of \$3.2 billion to \$3.4 billion with adjusted EBITDA between \$700 million and \$775 million and adjusted diluted EPS in the range of \$3.65 to \$4.03.

As Dan discussed, we are accelerating investments to capitalize on the opportunity ahead of us. This will include some additional OpEx to build out adjacent solutions, particularly around Bentek's technology and go-to-market efforts. More specifically, in FY'26, we plan to increase our OpEx as a percentage of revenue by approximately 100 basis points. We also plan to increase our CapEx to approximately \$100 million in FY'26. And all while generating more than \$450 million in free cash flow.

On the M&A front, in FY '25, we spent approximately \$152 million in cash to acquire several businesses. As Dan mentioned, we recently closed several new transactions. The payments associated with these deals and our prior transactions will require approximately \$110 million in cash this fiscal year. Excluding any additional M&A or capital allocation activity, we expect to end fiscal '26 with over \$1 billion in cash.

Investing for growth, while driving strong cash generation, remains core to our strategy, we expect structural gross margins for fiscal '26 in the low 30s. This takes into consideration geographic mix, impact of tariffs and the investment to scale the recently announced acquisitions.

While we have taken a prudent approach to guidance due to ongoing macroeconomic uncertainty, our confidence in the business is grounded in several key drivers. The strength of our record backlog a continued flight to quality among solar developers and the deep capability and commitment of our global team.

In summary, Nextracker delivered another year of record results with strong revenue growth, expanding profitability and excellent cash generation. We are strategically reinvesting into this momentum to grow market share, expand our portfolio and create long-term shareholder value. With that, we're happy to take your questions. Operator?

## Question and Answer

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### Operator

[Operator Instructions]. The first question is from the line of Mark Strouse with JPMorgan.

#### **Mark Wesley Strouse**

*JPMorgan Chase & Co, Research Division*

Great. Congrats on the continued execution. Maybe Dan or Howard, there's a lot to get to here, but I wanted to start with the house tax bill. Just given your long experience in the space, knowing that things can still change, but just kind of based on your experience, based on kind of your initial conversations with partners how workable do you think this package is with regards to some of the new provisions like the timing being based on placed in service. The [indiscernible] requirements, et cetera, not just for trackers, but for the overall space, just kind of given my view that you're a good spokesperson for the overall industry.

#### **Daniel S. Shugar**

*Co-Founder, CEO & Director*

Thanks, Mark. This is Dan Shugar. Both Howard and I have been to Washington we've met with congressional representatives. We've been working with our trade associations and obviously, very focused on these issues.

There are things in the reconciliation bill that are favorable and there are things that need attention and ongoing work in the favorable category, the 45x treatment as it relates to incentives to manufacture certain components in the United States. Additionally, the 48E as it relates to the timing of the 30% investment tax credits. The timing of those 2 are generally favorable.

Need for improvement would be the transferability provisions the placed in service versus start of construction timing as it relates to when tax credits are locked in and the [indiscernible] areas that deal with certain components that are in solar systems that may have a foreign origin how those can impact. So there are opportunities for improvement in those.

I'd say it's fair that collectively, just with the Nextracker people we've met with over 15 representatives most in the last few weeks. Our peers and industry associations have met with many more. I'd say generally very supportive of our make in America initiatives, Nextracker alone has had 9 public factory openings of new or massively expanded factories, making our equipment. We have over 25 manufacturer partners across U.S. Others in the industry are amplify that. And that's really recognized.

I think it's also recognized that solar is a really key part of the energy dominance and that, I mean, solar was over 80% of the capacity installed in the grid last year. So all that stuff is recognized. So we're cautiously optimistic the areas I outlined for need for improvement. We're going to have constructive dialogue with our representatives and be able to move the needle forward. That said, the final bill, it's not done until it's done. So we'll need to see where that lands.

### Operator

The next question is from Ben Kallo with Baird.

#### **Benjamin Joseph Kallo**

*Robert W. Baird & Co. Incorporated, Research Division*

Congrats on the results. Maybe if you could just talk about international business there and how we think about margin going forward, as it pertains to your backlog? And I have a follow-up.

#### **Howard J. Wenger**

*Director & President*



Sure. This is Howard. Yes, we're really pleased with how we ended the quarter, both on the revenue side and bookings side. And we continue to perform within the 30% to 40% of our business being international or Rest of World and the balance 60% to 70% being in the U.S. And that's where we're at. We've been very consistent. It's in our shareholder letter on that front. And our backlog reflects that.

The international business continues to hum. There are more countries. As we noted in our remarks that we did business in Q4 alone, 17 countries outside the United States. And many of them are kind of countries that we don't talk that much about like Saudi Arabia and Greece and Peru and Chile and Bulgaria. These were countries where we actually booked and signed contracts in the quarter amongst others.

And from a margin perspective, we've been quite consistent in saying that the margins are lower internationally, generally speaking. And we've been able to as a combined overall company maintained really healthy margins in the past, and that's what we're out looking going forward. Thanks for the question, Ben.

### **Operator**

The next question is from Philip Shen with ROTH Capital Partners.

### **Philip Shen**

*ROTH Capital Partners, LLC, Research Division*

Congrats on the strong results. First one is a follow-up on the house draft bill. Chuck, you mentioned the [indiscernible] restrictions and then the change in language from construction start to place in service. I was wondering if you might be able to quantify what kind of impact there might be if these provisions were to become law, what kind of impact could we see from each one of these new items on volumes for, let's say, for the industry, calendar '26 and '27.

And then on bookings, can you share the directionality of what F Q4 bookings looked like? Was it well above \$1 billion -- 1 point? If you can give a decimal, that would be great. And then what's your expectation in terms of bookings activity in the coming quarter given the uncertainty in the marketplace, although you have some better understanding of where the changes to the IRA might be up?

### **Daniel S. Shugar**

*Co-Founder, CEO & Director*

Yes. Thanks, Phil. I'll take the first part as it relates to the policy and then Howard will jump in on the rest. It's really early days on this bill. This bill has got a long way to go. It was just published. It's going to have a quite a journey. And we don't have precise answers to your question.

I would say though, directionally the -- there'll be little impact for the next few years in terms of the -- what our realized financial results will be the -- what we're looking at is more intermediate term. 3, 4 years out, how it relates to new projects that as the projects that are grandfathered in now, which can go 2 to 3 years to become fulfilled. And so it's really the future book of business that will have the most impact due to the policy areas that need work that we outlined earlier on the call. Howard, can you take the second part of this question, please?

### **Howard J. Wenger**

*Director & President*

Sure. So we've had sequential growth in our backlog since going public every quarter, and this last quarter was no exception. We had record revenue and we are still at \$924 million, and we still increased backlog sequentially. So that gives you some color on the booking strength this quarter. And as far as in the coming quarters, our pipeline is healthy.

The U.S. market, what we're finding is -- and we talk a lot with owner developers, they've safe harbor and they've secured the Tier 1s, for sure, ones with multi-gigawatt pipelines with a lot of investment behind it. They've safe harbor, and they're telling us their pipelines are secure, which means for us, it's really good news. So in addition to the backlog being significantly over \$4.5 billion. Our pipeline continues to be



very healthy. And the flagship of our -- where we do businesses in the United States, and that continues moving forward.

**Operator**

The next question is from Brian Lee with Goldman Sachs.

**Brian K. Lee**

*Goldman Sachs Group, Inc., Research Division*

Kudos on the great execution here. I had 2 sort of modeling guidance-related ones. First one would just be around the revenue outlook. As you mentioned, Dan, your business is evolving kind of a platform solutions model going forward.

So can you give us a sense of as we look at the '26 revenue guidance, how much of the revenue is coming from some of your news businesses like foundations and Bentek, how much is coming from maybe some price capture with steel going up? And then what's the sort of delta between -- what you're seeing in international growth versus domestic?

And then secondly, just on margins, if I look at your guidance implying EBITDA margin sort of in the 22% range, you just came off a year where you did 26%. I know you're talking about a 100 basis point headwind from higher OpEx and investment. But is there a bridge why EBITDA margins are being implicitly guided down year-on-year? Or is that just your level of conservatism getting baked in there?

**Daniel S. Shugar**

*Co-Founder, CEO & Director*

Yes. Thanks, Brian. Chuck will get into some detail. I'll just say at a high level, we're guiding up for another year of solid growth. We'll be in terms of getting into how much the new product offerings will be contributing to our total picture.

We'll be in a position to do that at the upcoming Analyst Day we're going to have in the fall, and we'll be inviting our analysts and investors to participate in that at our headquarters here in Silicon Valley, and we'll be breaking that down at greater detail at that time. Chuck?

**Charles D. Boynton**

*Chief Financial Officer*

Great. Thank you, Brian. So first of all, fiscal '25 was just a stellar year. The company had a record Q4 and had incredibly strong margins all year. What you saw and we talked about in Q2 and Q3 was we had a number of tailwinds that really helped increase both gross margin and operating margins. As we look forward into fiscal '26, it's really a year where we're leaning in on growth and looking for multiyears of growth. We mentioned in our letter that we see in 5 years, 1/3 of our business coming from non-tracker revenue.

So this strategy is really about leaning in for growth. So we're investing in OpEx, as you mentioned. We're investing in CapEx, investing in the acquisitions as well as organic activities to drive growth that we'll talk about in the fall at our Analyst Day.

Our margin profile, if you look at Q4, we were in that 33.4% for Q4. And that's kind of a good number, and that's the structural margins as we talk about are kind of in the low 30s, structural gross margins. And our outlook sort of contemplates that same kind of range for fiscal '26. And so we feel that low 30s gross margins low 20s EBITDA margins is a really good place to plan and run our business.

**Operator**

The next question is from Kashy Harrison with Piper Sandler.

**Kasope Oladipo Harrison**

*Piper Sandler & Co., Research Division*

Congrats on the fiscal year. So minor series just focused on Bentek. Could you just walk us through the strategic rationale, go-to-market how much of the supply chain is U.S. versus international contract manufacturing versus direct manufacturing and then cost structure. I just want to get a whole picture of how to think about the strategy behind this deal?

**Daniel S. Shugar**

*Co-Founder, CEO & Director*

Yes, we'll do a 2 parts. I'll answer a bit on the strategy. Howard will then fill in some of the details to the extent we can go there. First, we couldn't be more excited about this. Let me just take a step back. We're systems thinkers, okay? We've been doing this since the '80s and back in the day, we actually designed and manufactured electrical down system as well as mechanical balance system, and they go together, just like they do in your car or a number of other components.

And so we really see there's an opportunity to -- for customers to have one provider designing and supplying materials to the projects as in a buildable megawatts and delivering by blocks in a sequence that works for the customer. And also for these products to work well together, they touch each other.

And so we're going to continue collaborating with the eBOS, other eBOS providers. We have a great deal of respect for providers that exist. And we're going to have the Bentek platform continue to support fix systems work with our tracker, work with other trackers, to the extent it's involved with our tracker, we see opportunities to co-optimize the solutions to add increasing value for the customers as we look forward. Howard, would you like to pick it up from there, please?

**Howard J. Wenger**

*Director & President*

Sure. So we see massive synergy between electrical balances system in the tracker because they touch each other, literally. And they're designed at the same time. And right now, we don't design eBOS, but we have -- as we've announced today, we are doing that now. So the same project engineering team, which is very large at Nextracker, we'll be doing the design and engineering of the tracker and the eBOS.

We also see synergies in the product development, as Dan mentioned, like really thinking about what's the best and fastest way to install eBOS with our tracker, but we're also going to make the eBOS solutions that we have available for other trackers and including a fixed-tilt solar system.

So we see a lot of synergy on the design side, engineering side and then the sales platform. We touch the same customers. We're selling to the EPCs. The owners of the equipment really care about the tracker and they care about the eBOS and longevity, the reliability, the quality and having our brand and our warranty wrapped around both is going to be very powerful. We've spoken with several customers already about it, and they're really excited. There's just a lot of synergy here.

**Daniel S. Shugar**

*Co-Founder, CEO & Director*

Yes. And just building on Howard's comment, we've actually had customers just tell us point blank, they say, we want to buy more from you, Nextracker, please offer more components. What we really love about Bentek, we did a lot of due diligence, personally went on the floor. Their main operation is in San Jose. It's only 30 minutes from our headquarters in Fremont.

They have a very well-provisioned facility with spare capacity, very professionally laid out. Bentek's been an early mover in this category of eBOS for 15 years. We love their quality, reliability, ethos, their culture. They're testing 100% of the electrical harnesses before they ship, which is very important for durability confidence for customers.

And we've also spoken to a number of customers that have been working with them for a long time. For example, SOLV Energy, which is one of the largest EPCs in the United States and the world and one of the longest operating is both a current customer and a long-term customer of Bentek. There's a quote by George Hershman in our release, who's CEO saying that he really welcomed us and he's actually been encouraging us to lean in.

The other thing I would just say is that we need more manufacturing of all of the above solar in the United States. And Bentek has the ingredients to become a more -- a larger player in the U.S., but they were lacking financial support, and they were lacking a holistic system design type approach to the system. We bring those things to them.

And we're going to help building out the U.S. supply chain for and continue to be one of the providers in the industry to support the growth of the U.S. solar industry. And down the road, we could look at offering these products overseas. And we could collaborate with others down the road as well. But this was a good first step for us. We have domain expertise in this legacy. This gets us a very prudent step up and running into the segment, and we look forward to supporting their growth and serving customers.

**Howard J. Wenger**  
*Director & President*

I'll just close by saying that there's a saying that culture eats strategy for breakfast. And we are really culturally matched with Bentek. They have a great leadership team over there. We've interacted with them a lot, and there's just -- it's going to be the integration of the companies is going to -- is already seamless.

### **Operator**

The next question is from Julien Dumoulin-Smith with Jefferies.

**Julien Patrick Dumoulin-Smith**  
*Jefferies LLC, Research Division*

Maybe just to follow up on that last one a little bit. Let's focus on the strategy still. You talked about 1/3 of your business coming from non-track revenues. So that's pretty impressive, right? I mean that's in 5 years from now, even 1/3 of the revenues would be north of \$1 billion. How do you think about reconciling eBOS and/or other categories? I mean, how much thinking about scaling this business up to \$1 billion plus?

And realistically, what is sort of the cadence of that build-out? I mean, what are you reflecting in guidance in '26, for instance? And how do you think about that trajectory as well as given the liquidity and cash profile that you guys are alluding to here, I mean, what is the prospect for having for a subsequent [Audio Gap] acquisitions reflected, say, by this time, when you have this Analyst Day late fall, you can speak to it.

**Daniel S. Shugar**  
*Co-Founder, CEO & Director*

Okay. Thanks, Julien. Dan Shugar here. I'll take the first part and then Chuck will jump in on the second. In addition to Bentek completed some other acquisitions recently that we have not announced yet. And we'll be speaking about those when they're -- when we're ready to in the coming months.

And let me just pull back and just say, how do we approach new technology in the market and new products and services? First of all, we have a very strong organic internal R&D program. We've roughly tripled the investment in that over the last few years. And we're seeing the fruits of that in our bookings in what our shipments with our, for example, our true capture technology, our terrain following XCR technology. Our Hail Pro systems, all of which we've pioneered in the industry, and those are quantified to an extent in the shareholder lighter and the low carbon tracker.

So we're innovating, getting the job done with organic development. not all great technologies were invented here. And sometimes even if we're working on something, it's more prudent to serving customers and scaling is to partner with others that have been doing it for a while and myopically focused on that. So eBOS is one category.

We have other things that are very exciting. We'll be speaking to as soon as we're ready. And we'll be providing a lot more granularity about the build-out of our non-tracker products and services offerings over the coming years during the Analyst Day in the fall. Chuck, can you pick it up from there, please?

**Charles D. Boynton***Chief Financial Officer*

I will. Thank you, Julien. If you think about our cash generation, this is really a great business. We generate a really good return on invested capital. You look at the cash flow duration in '26, even after the CapEx that we're going to do, we expect to generate more than \$450 million of free cash flow. And even after paying for the current acquisitions and the prior acquisitions, we expect to end the year with north of \$1 billion of cash.

Now that does not include new deals that we might do, but I'll say we're prioritizing organic investment. We're investing heavily in R&D, as Dan mentioned, and then we'll continue to evaluate other M&A opportunities. We may or may not do any or announce any, but we're looking for areas we can add value to our customers and companies that will integrate well with our technology platform.

**Operator**

The next question is from the line of Dimple Gosai with Bank of America.

**Dimple Gosai***BofA Securities, Research Division*

Congrats on the quarter. Can you please help unpack the durability of the structural gross margins in the low 30s that you're kind of speaking to, especially for 2026? I think I understand the geographic exposure and the margin differentials there. But how much of that is kind of driven by 45 versus operational execution or product mix improvements, especially post this acquisition that we've just discussed and some of the soft practices?

**Charles D. Boynton***Chief Financial Officer*

Thank you, Dimple. Nextracker is such a great company. If you look at our backlog, I'd say not all, but the vast majority of '26 is contracted. And so there's a lot of work to do for sure, but we have very good visibility on pricing, margins and cost for '26. Now there's still work to do, but this is a business that we look at in terms of years and multiyears. And the structural margins for fiscal '26 are largely booked as of today. And so there's work to do still. But for the most part, we feel like we're really well-positioned for '26.

**Operator**

The next question is from Moses Sutton with BNP Paribas.

**Moses Nathaniel Sutton***BNP Paribas Exane, Research Division*

2 basic ones. First, it's great to see the eBOS entry. What percent market share do you think Bentek has had in the recent past? And does it have sufficient manufacturing capacity? And then number two, are you starting to see the strong pipeline and even bookings visibility for 2028? It seems many specific projects are getting greenlit already, even before that draft bill came out.

**Howard J. Wenger***Director & President*

This is Howard. Hi, Moses. So Bentek, we put them in like the top 3 or 4 eBOS suppliers in the U.S. So they have a very, I would say, loyal following. They've been undercapitalized, frankly. So that's constrained their growth. So we're really looking forward to unlocking that.

And as Chuck mentioned, we're going to be giving more details on the outlook and impact on our business going forward. But they do have a pipeline that does extend out. We think this is one of the areas of like our sales team is so much larger than their team in our platform for the U.S. and then internationally is massive compared to their volume. So we think that we can really increase demand and supply and really ignite this business.

**Operator**

The next question is from Dylan Nassano with Wolfe Research.

**Dylan Thomas Nassano**

*Wolfe Research, LLC*

Just a quick modeling one for me on the 45x. It looks like that stepped up by about \$25 million in the quarter relative to the kind of run rate of the previous couple of quarters. Is there any onetime items we should think about there? And then also in terms of 2026 guidance, can you just kind of speak to what kind of tariff framework you're assuming in there?

And could we see movement towards the high end if more deals get done by the White House or vice versa if tariffs ratchet back up? And then similarly, on the big beautiful bill, some of the items that you flagged that need some more work. If those get softened could there potentially be any impact to the guidance range?

**Charles D. Boynton**

*Chief Financial Officer*

Great. I'll take the first 2, and then Dan or Howard can take the third one. So on 45x, Dylan, yes, Q4 was a little better in the 45x than planned. There was a couple of kind of onetime benefits. It was small. I think as we've looked in the past, if you look throughout fiscal '25, we averaged about 11% of U.S. revenue. That's probably the upper end of what we'd outlook for '26. So I'd look at roughly 11% of U.S. revenue.

On the tariff side, we've taken a prudent approach with our outlook. We feel like we're covered for the year. It could be a little better, it could be a little worse. But I think we feel like our outlook contemplates where things are going to land. And so we feel comfortable with our prudent outlook. Dan, do you want to cover the third part?

**Daniel S. Shugar**

*Co-Founder, CEO & Director*

I'm sorry, could you restate the third part of that question, please?

**Dylan Thomas Nassano**

*Wolfe Research, LLC*

I mean, you guys identified some parts of the Republican proposal that maybe could use a little more work to be more beneficial for the industry. If that were to happen and we get things kind of softer with the Senate part of the bill. Could you see movement towards the higher end of the range of guidance?

**Daniel S. Shugar**

*Co-Founder, CEO & Director*

Well, I think what Chuck said is and Howard, this year is pretty baked. I don't see that stuff impacting this year at all. Do you, Howard?

**Howard J. Wenger**

*Director & President*

Yes. I mean, look, the important thing is that it's kind of for this year, next year, all of our partners that we've talked with and I'm talking about many, many developer owners and EPCs, they're saying that their pipelines are secure.

**Daniel S. Shugar**

*Co-Founder, CEO & Director*

All the major Tier 1s.

**Howard J. Wenger**

*Director & President*

Yes, and so of course, is could there be upside Yes, anything is possible. But we feel really good right now where we stand, we manage it on an annual basis. we provided the outlook for the year. This is the first quarter. We feel very, very good about our outlook.

**Daniel S. Shugar**

*Co-Founder, CEO & Director*

Yes. And look, I'll just taking the long view, we went public a little over 2 years ago. At that time, our backlog was \$2.1 billion. Today, it's well over \$4.5 billion. And we just had a great quarter in many quarters in a row of book-to-bill over 1. So we feel very good about the business. We feel great about our margin profile.

Our position in the market. We're going to continue operating with price discipline and really lean in on the innovation and customer service, listening to customers, identify what their pain points are, either develop technology that addresses it or acquire those if we can and move with operational excellence to crush it and basically have a fantastic customer satisfaction. That's our DNA, and our team is myopically focused on that. Operator, we have time for one more question, please.

**Operator**

Absolutely. The last question for today is from the line of Praneeth Satish with Wells Fargo.

**Praneeth Satish**

*Wells Fargo Securities, LLC, Research Division*

So I know you mentioned that customers have been coming to you asking for a combined tracker eBOS solutions. So it seems like there could be some pent-up demand here, when we think about the go-to-market strategy with -- where you really kind of scale up the eBOS revenue, is that something that could start immediately in fiscal 2026?

Or is it contingent on you finishing out some of the CapEx build that you referenced? Or is it a more gradual ramp that will take you into fiscal '27? Just trying to understand how to think about and model the attach rate for the eBOS offering?

**Daniel S. Shugar**

*Co-Founder, CEO & Director*

Sure. Thanks. We'll do a 2-part Well, let me say they have real bookings. They're serving customers, stuff shifting. And there's extra capacity at Bentek continue scaling to take incremental business. So that's the fact. Howard?

**Howard J. Wenger**

*Director & President*

Yes. We think that we can realize some benefits relative to their current run rate today and it's been like a week since we -- since we acquired them and realize those benefits this year in FY '26. We do think that we can increase their run rate this year.

**Daniel S. Shugar**

*Co-Founder, CEO & Director*

And just as a point of clarification, customers have asked us to do more than eBOS. In terms of they want -- there's other things customers have asked us to do in terms of adding to our scope. I mean we're systems-oriented. In the earlier days in the industry, we were doing many parts of the pie in terms of the value pie for customers. And so we're looking at where we can add value and where we can also complement the existing industry and basically help systems achieve higher levels of actual performance, which is a major thing.

Okay. We'd like to thank you all so much for joining us for this earnings call to recap our fiscal year 2025 business and as we set guidance for fiscal year 2026 and announced our launch of our eBOS business. We

very much look forward to speaking with you in callbacks and to hosting you at our Analyst Day coming up in the fall. This concludes the call. Thank you very much.

**Operator**

That concludes today's call. Thank you for your participation. You may now disconnect your lines.



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