Third Quarter 2026 Earnings Call

November 16, 2026

Prepared Remarks

ERIN REED

Thank you, Operator. Welcome to Stem's third quarter 2026 earnings call - this is Erin Reed, Head of Investor Relations. Before we begin, please note that some of the statements we will be making today are forward-looking. These statements involve risks and uncertainties that could cause our results to differ materially from those projected in these statements. For more information, we refer you to our latest 10-Q, 10-K, other SEC filings, and supplemental presentation, which can be found on the Company's investor relations website. Our comments today also include non-GAAP financial measures. Additional details and reconciliations to the most directly comparable GAAP financial measures can be found in our third quarter 2026 earnings press release and supplemental materials, which are available on our investor relations website. As a reminder, management will not be commenting on the review of strategic alternatives announced on October 26 beyond what was included in that press release.

Arun Narayanan, CEO, and Brian Musfeldt, CFO, will start the call today with prepared remarks and then we will conduct a question-and-answer session. And now, I'll turn the call over to Arun.

ARUN NARAYANAN

Thank you, Erin. Good afternoon, everyone and thank you all for joining us today. Before we get into the quarter, as announced on October 26, our Board has initiated a review of strategic alternatives to maximize shareholder value. We won't be commenting further on that process today, and our focus remains on executing our plan and serving our customers.

Now, to the third quarter. When we laid out our plan for 2026, we set expectations to drive operating leverage through our software-centric strategy as the year progressed. In the third quarter, it did once again. Non-GAAP gross margin improved to 58% from 47% in the third quarter of 2025, and adjusted EBITDA was $7.1 million, more than triple that of the third quarter of 2025.

Through the first nine months of 2026, adjusted EBITDA has already passed the top of our original full-year guidance range. And, PowerTrack software revenue grew 18% year-over-year as we crossed a record 40 gigawatts of solar assets under management.

This quarter, we made the decision to further concentrate Stem's investment and attention on PowerTrack, our highest-margin and highest-growth business, and to de-emphasize our Managed Services and battery hardware resale offerings.

PowerTrack remains the leading solution for C&I solar monitoring in the United States with 70% market share, and we are driving expansion across utility scale and hybrid deployments in the US and internationally. Our solutions connect field assets, cloud data, system controls, and operational workflows in one platform interface across solar, storage, and hybrid portfolios. We provide critical digital infrastructure to a range of leading asset owners, operators, developers, EPCs, and O&M providers across both the C&I and utility-scale segments. PowerTrack has delivered consistent double-digit growth with expanding margins. Over the last four quarters, PowerTrack software revenue has grown 15%, 16%, 11% and 18% year-over-year, and PowerTrack ARR has increased from $38.9 million a year ago to $44.4 million at the end of the third quarter. Over the same period, PowerTrack software non-GAAP gross margin has expanded from 75% in the first half of 2026 and to 80% this quarter. In the last year, have successfully launched PowerTrack Sage and PowerTrack EMS. Alongside the rapid commercial adoption of these products, we earned industry recognition for innovation with The smarter E AWARD for PowerTrack EMS. The consistent performance of PowerTrack software and the clear product-market fit is why we have decided to focus our investment and attention on PowerTrack.

The legacy Stem storage offerings are included in the Managed Services offerings we are de-emphasizing. These include software-enabled energy storage services, that cover the procurement, commissioning, and economic optimization of energy storage systems. Managed Services is a differentiated service offering, but simply put, the economics of Managed Services contracts are not accretive to Stem. That business has historically carried an average non-GAAP gross margin of about 45%, compared to approximately 75% for PowerTrack software, and it ties up capital and attention we want to put into PowerTrack.

The de-emphasis in Managed Services has three parts: First, we are no longer pursuing new managed services contracts or battery hardware resales – and we will not be procuring battery

hardware on behalf of customers going forward. Second, we have signed a definitive agreement to sell the intellectual property of our Athena storage optimization platform for $10 million in cash. This monetizes technology that sits outside our core PowerTrack platform, strengthens our balance sheet, and supports continued investment in PowerTrack. For our existing Managed Services customers, nothing is changing today. We will continue to use the Athena platform to support our current Managed Services customers. Third, we have disposed the economic interest in the majority of our consolidated Special Purpose Entities, or SPEs. These are legacy energy storage system finance entities which Stem set up with outside investors between 2015 and 2017 to fund and monetize the purchase of energy storage systems. Exiting our interest in these entities removes material liabilities, simplifies our financial statements, and is a key step in de-emphasizing the Managed Services business. Brian will cover the financial impact later in the call.

I want to be clear, we are not exiting energy storage with this de-emphasis. PowerTrack EMS is our software-centric storage play. It is an intelligent control system that manages battery charging and discharging operations while coordinating grid services and enabling revenue streams for energy storage projects. It fills the critical gap between basic battery management and advanced economic optimization. The PowerTrack EMS complete solution includes software, edge hardware, and project services. We continue to see storage as an extremely attractive end market.

De-emphasizing Managed Services leaves us with a higher-margin company focused on the part of our business that is growing fastest. This is the same strategy we have been executing all year, applied to its next logical step: driving further operating leverage and accelerated growth in Stem.

The de-emphasis of Managed Services and battery hardware resale is reflected in our revised 2026 guidance, which Brian will cover in detail. In summary, we are raising our non-GAAP gross margin and adjusted EBITDA guidance and lowering our revenue, ARR, and operating cash flow guidance.

Now, let's turn to an update on our three key 2026 priorities. Our first priority is to drive operating leverage, and the third quarter showed improvements once again. GAAP gross margin was 46%, and non-GAAP gross margin was 58%, both up 11 percentage points year-over-year. As in the first half, that reflects a revenue mix weighted towards software, services, and edge hardware, with minimal battery hardware resale. We again managed to keep operating expenses low this quarter – with both GAAP and cash OpEx down year-over-year even as we continued to invest in the

PowerTrack platform. Together, higher margins and a lean cost base drove adjusted EBITDA of $7.1 million, more than triple the third quarter of 2025 and up 15% sequentially. For the first nine months of 2026, adjusted EBITDA was $15.3 million, compared to just $1.2 million in the same period of 2025. We also generated positive operating cash flow of $1.5 million in the quarter. As Brian will explain, we have revised our operating cash flow guidance to reflect the battery hardware resales we no longer expect, which had carried meaningful cash collections in our prior outlook.

Our second priority is strengthening the core PowerTrack platform, and this quarter brought a milestone: we achieved 40 gigawatts of solar assets under management, adding 1.7 gigawatts in the quarter. PowerTrack ARR grew 4% sequentially, and 14% year-over-year. PowerTrack software revenue grew 12% sequentially and 18% year-over-year, up from 11% year-over-year growth in the second quarter.

The strong growth in the PowerTrack platform came even as our largest end market works through a transition. As customers have begun to navigate the phase-out of the investment tax credit and local and state level regulatory changes, we have seen some softness in US solar bookings this quarter. US bookings were down about 6% sequentially. Many of our customers have confirmed that they have safe-harbored equipment for 2027, but they are taking longer than usual to start construction as project financing adjusts.

Our third and final strategic priority is building the foundation for accelerated growth in 2027 and beyond. The market softness in the US I just described is exactly why we have been diversifying beyond the US solar market. Expanding into hybrid and utility-scale deployments and advancing our international footprint means our growth depends less on any single market or policy cycle, and that shift is beginning to show in our business. We have booked utility-scale projects across 15 countries, and with PowerTrack EMS, specifically, across six countries.

We recently entered another new country, the Republic of Georgia. Voltares, an international renewable energy developer and investor, selected Stem to deliver integrated PowerTrack software and power plant controls for Marneuli-I, a 68 megawatt plant that will be the first utility-scale solar facility in Georgia. PowerTrack will serve as the plant's operating system, combining site-wide monitoring, performance analytics and real-time controls, backed by a fully redundant power plant controller and on-site hardware. Commissioning is scheduled for the first quarter of 2027. A first-

of-its-kind project in a new grid and regulatory environment must perform from day one, with no margin for error on availability or grid compliance. Being selected for the country's first utility-scale solar project says a great deal about how customers view Stem as a partner. This Georgia booking extends our Eastern European footprint alongside Hungary and builds on recent utility-scale deployments in Latin America and Europe.

In Latin America we are expanding our relationship with Copec Flux, the renewable energy subsidiary of Copec S.A.. As we announced last May, Copec Flux is deploying PowerTrack EMS as the primary control system for the 420 megawatt hour battery storage system at the Granja Solar Project in Chile. We have now entered into an agreement to jointly deliver energy storage and energy management solutions initially focused on Chile, with plans to explore opportunities in Colombia, and other Latin American markets. Stem will provide PowerTrack software and controls, including EMS, power plant controls, and cloud-based monitoring and analytics, while Copec Flux leads local engineering, project delivery, and operational services for both utility-scale and C&I customers. The expanded relationship reflects Stem's broader strategy to grow its international footprint through partnerships that combine its software and controls capabilities with established regional providers.

Here in the US, we announced that PowerTrack is live on Border Basin Solar, Energix US's 152 megawatt DC solar project in Hancock County, Ohio, and is now delivering power into the PJM market. Stem supported the project from conceptual design through commissioning and operator handoff, and PowerTrack now serves as the plant's power plant control, data acquisition and monitoring backbone. Utility-scale projects, both domestic and international, are becoming a larger share of our business.

Turning to new market opportunities, we continue to make progress with AIONA, our AI services offering launched in June. We are advancing customer conversations and exploring specific use cases where AI can deliver measurable operational value, with an initial focus on our existing customer relationships. These engagements are helping us validate market demand and identify opportunities for future commercial growth.

Through the first nine months of 2026, we are executing with discipline, and I remain confident in our team's ability to keep building on this momentum. With that, I'll turn the call over to Brian.

BRIAN MUSFELDT

Thanks Arun, and good afternoon everyone.

Let's walk through the results. Total revenue for the third quarter was $36.7 million, down 4% year-over-year. As in prior quarters, the decline came from lower battery hardware resale revenue, which was $1.4 million in the third quarter, versus $4.3 million one year ago. Revenue from software, services, and edge hardware was $35.3 million, up 4% versus the third quarter of 2025. Within that, PowerTrack software revenue grew 18% year-over-year to $11 million, the highest growth rate we've reported this year. Edge hardware was $13.8 million, down 11% year-over-year, and project and professional services revenue was $2.7 million, up 8% year-over-year. Managed Services revenue was $7.8 million, up 19% year-over-year, driven by a $1.2 million non-recurring termination fee from a customer. GAAP gross margin was 46% in the third quarter, compared to 35% in the third quarter of 2025. Non-GAAP gross margin reached a record 58%, up 11 points year-over-year, again driven by our shift toward higher margin software, services, and edge hardware, and minimal lower-margin battery hardware resale. With battery hardware resales now largely behind us, non-GAAP gross margins moved above our previous guidance range, and we are raising our full-year range to 45% to 55%. We do expect margins to be slightly lower in the fourth quarter, reflecting seasonality, and the roll-off of revenue from the exit of the legacy energy storage financing entities. Cash operating expenses were down 17% year-over-year, and down 4% sequentially, driven by a decrease in both personnel and professional service expenses. Adjusted EBITDA was $7.1 million, more than triple the third quarter of 2025, and had a margin of 19%. Operating cash flow was positive $1.5 million, an improvement of approximately $1.2 million from last quarter. Net loss was $14.6 million, versus a net loss of $23.8 million in the third quarter of 2025. The year-over-year improvement was primarily driven by increased GAAP gross profit, lower operating expenses, a $3.2 million gain on the sale of energy storage systems related to the disposal of our economic interest in our legacy energy storage financing entities, and a $2.9 million impairment of energy storage system assets, related to the de-emphasis of Managed Services in the third quarter of 2026.

Now turning to operating metrics. Bookings were $27.6 million in the third quarter, compared to $36.8 million in the second quarter, and $30.3 million in the third quarter of 2025, reflecting the de-emphasized Managed Services and battery hardware resale offerings, and the domestic solar softness Arun described earlier. Contracted backlog was $22.3 million, down from $27.1 million

at the end of the second quarter. Contracted ARR, or CARR, was $70.5 million, up 2% from $69 million at the end of the second quarter. ARR grew 3% sequentially and 6% year-over-year to $64 million. Within that, PowerTrack ARR grew 4% sequentially and 14% year-over-year to $44.4 million, and managed services ARR was flat sequentially at $19.6 million. Solar operating AUM grew 4% sequentially to 40 gigawatts, and storage operating AUM was flat sequentially at 1.8 gigawatt-hours.

We ended the third quarter with $36.9 million dollars in cash and cash equivalents, compared to $38.4 million dollars at the end of the second quarter. We did not use our ATM program during the quarter, and our exit from the legacy energy storage financing entities had no material impact on cash.

As Arun previously stated, we have exited the economic interests in the majority of our consolidated Special Purpose Entities or SPEs. Exiting our interest in these legacy energy storage system financing entities removes material liabilities, simplifies our financial statements, and is a key step in de-emphasizing the Managed Services business. The Company will continue to provide cash generating services to the underlying host customers of the BESS assets that were historically consolidated in these entities. However, the majority of the revenue related to these financing entities is non-cash. Year-to-date non-cash revenue related to these financing entities is approximately $10 million and was approximately $14 million for full-year 2025. Looking ahead, we expect about a $3 million reduction in run rate Managed Services revenue in the fourth quarter related to the exit of these financing entities. The legacy financing entities currently account for approximately $10 million of ARR and CARR, which we expect to remove in the fourth quarter. While it is a small amount, we do expect to finish the commissioning of a few Managed Services sites, which will convert a portion of the remaining contracted ARR to ARR next quarter and into the early part of next year. Importantly, exiting the financing entities is expected to remove nearly $30 million dollars in liabilities from the balance sheet. Finally, as a result of making the decision to de-emphasize our Managed Services offerings, we also recorded an impairment of $2.9 million dollars related to certain of our energy storage system assets.

As previously disclosed, on October 19, we were notified by the New York Stock Exchange that we were not in compliance with a listing standard relating to our market capitalization and stockholders' equity. The notice does not result in the immediate delisting of our shares, which

continue to trade on the New York Stock Exchange. We have notified the Exchange of our intention to submit a plan to regain compliance. The plan is subject to New York Stock Exchange approval, and we will have 18 months to regain compliance after approval of the plan.

Today's 10-Q filing includes disclosures about the company's ability to continue as a going concern within one year. This language was primarily triggered by our existing capital structure. At this time, we have the liquidity to operate the business in the near term, we have generated positive cash flow over the last two quarters, and we are in compliance with our debt covenants. We have also hired Guggenheim to assess a full range of strategic alternatives, aimed at addressing our capital structure, and maximizing value for our shareholders.

Now turning to guidance. Our updated full-year 2026 outlook reflects the decisions Arun described to concentrate Stem's investment and attention on PowerTrack, and to further de-emphasize our Managed Services and battery hardware resale offerings. Let's walk through each of the changes in turn. Starting with revenue, we are lowering guidance to $132 to $142 million from $140 to $190 million, for two reasons. The first is battery hardware resale. Our prior outlook allowed for up to $40 million from this revenue stream, but we have effectively phased out this line of business. After recognizing $1.6 million in the first nine months of 2026, we now only expect up to $2 million for the full year. The second is software, services and edge hardware, where we are tightening the range to $130 to $140 million, from $130 to $150 million, to reflect the de-emphasis of Managed Services, and the exit of the financing entities discussed earlier. We are raising our non-GAAP gross margin range to 45% to 55%, and adjusted EBITDA to $15 to $20 million, as our revenue mix is now weighted toward higher-margin software revenue. We are currently tracking above the midpoint of the new adjusted EBITDA range, but we expect fourth quarter adjusted EBITDA to be lower than the third quarter, as revenue from the exited financing entities rolls off, and seasonality weighs on margins. Next, we are lowering operating cash flow guidance due to our original guidance forecasting meaningful cash collections on battery hardware resales, and the de-emphasis of our managed services business resulting in lower revenue and related collections during the year. Together, these changes lower our operating cash flow range from $0 to $10 million to negative $5 million to positive $5 million. We are lowering year-end ARR guidance to $50 to $55 million as a result of the de-emphasis of Managed Services and the exit of the financing entities. As I previously stated, approximately $10 million of our current ARR is

related to the financing entities and is expected to be removed next quarter. Additionally, a portion of Managed Services sites we had expected to commission in the fourth quarter, will not be brought online, further lowering the range. The de-emphasis of managed services and battery hardware resales reduce our top line, but allow us to focus on being a software-centric, higher-margin business.

And now I will pass the call back over to Arun for closing remarks.

ARUN NARAYANAN

Thank you, Brian. I'd like to leave you all with three key takeaways from this quarter.

First, our operating leverage is proven. A record 58% non-GAAP gross margin, $7.1 million of adjusted EBITDA, and nine-month adjusted EBITDA already above our original full-year range. We are raising guidance on both margin and adjusted EBITDA.

Second, our core platform is accelerating. PowerTrack software revenue grew 18% year-over-year, up from 11% last quarter, and we now manage 40 gigawatts of solar assets on PowerTrack.

Third, our growth foundation is widening. Voltares selected PowerTrack for the first utility-scale solar plant in the Republic of Georgia, bringing us to another new market. Here in the US, Border Basin Solar is now live on PowerTrack, and in Hungary, Solarmarkt Group selected our EMS to hybridize two operating solar plants.

We remain deeply focused on driving growth through our PowerTrack platform and while our strategic review is underway, our job does not change: execute our plan, serve our customers, and build value for our shareholders. I want to thank our customers for their partnership, the Stem team for their focus and execution, and all of you for your continued support.

With that, I will ask the operator to open the line for questions.

Q&A SECTION

OPERATOR

This concludes the question-and-answer session. I would like to turn the conference back over to Arun Narayanan for any closing remarks.

ARUN NARAYANAN

I want to thank everyone for joining our third quarter earnings call. We look forward to speaking with you next during our fourth quarter and full year 2026 earnings call in the new year. Thanks everyone.