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CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	7

Call Participants

EXECUTIVES

Assaf Onn
CEO & Director

Darlene Webb
Investor Relations

Gregory T. Wolf
Chief Financial Officer

Yaniv Dror Scherson
Chief Operating Officer

ANALYSTS

Alexandra Renate Ricci
*Paradigm Capital Inc., Research
Division*

Andrew Scutt
*ROTH Capital Partners, LLC,
Research Division*

Baltej Sidhu
*National Bank Financial, Inc.,
Research Division*

Donangelo Volpe
*Beacon Securities Limited,
Research Division*

Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to the Anaergia Second Quarter 2026 Conference Call and Webcast. [Operator Instructions]

I will now hand the conference over to Darlene Webb with Investor Relations. Darlene, please go ahead.

Darlene Webb

Investor Relations

Thank you very much, operator, and good morning, everyone. On today's call, we'll be discussing Anaergia's earnings for the second quarter of 2026, which ended June 30, 2026. I am joined this morning by Mr. Assaf Onn, Anaergia's Chief Executive Officer; Mr. Greg Wolf, Anaergia's Chief Financial Officer; and Dr. Yaniv Scherson, Anaergia's Chief Operating Officer.

Before beginning our formal remarks, we would like to caution listeners regarding forward-looking information and note the company's use of non-GAAP measures. Listeners are reminded, as always, that today's discussion may contain forward-looking statements that reflect current views with respect to future events. Any such statements are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated in these forward-looking statements. Anaergia does not undertake to update any forward-looking statements, except as may be required by applicable laws. Listeners are urged to view the full discussion of risk factors in the company's prospectus filed with Canadian securities regulators.

And with that, I will turn the call over to Assaf.

Assaf Onn

CEO & Director

Thank you, Darlene. Good morning, everyone. It's good to be back here with you. The trajectory I described 3 months ago continues. Every pillar of the business is delivering. Revenue grew 98% year-over-year to CAD 63.9 million. Gross profit grew 38% year-over-year. Adjusted EBITDA was positive for the fourth quarter in a row. Revenue backlog stands at CAD 275 million, up from CAD 257 million at year-end. I am pleased with these Q2 results. And I'm also as clear on where the work still lies ahead, continuing to convert our revenue backlog into revenue, continuing to ramp our platform assets to their full potential and continuing to run Anaergia with the operational discipline that defined my approach. Greg will walk you through the financial details shortly.

Two developments this quarter that stands out. First, our so-called biomethane facility began delivering under California SB 1440 utility gas procurement program. We are the first project to deliver gas under that program. Second, we signed a CAD 58 million contract with Neogenyx Fuels. Neogenyx is a joint venture backed by Ameresco and HASI. Through their joint venture, 2 public companies chose our technology for their first project in agricultural RNG. That kind of a choice is not made lightly, and I am proud of what it says about Anaergia. Yaniv will walk you through the full operational picture. The broader environment remains supportive. In our largest markets, government programs continue to drive long-term demand for what we do. New partners like Neogenyx are choosing us for the first time and existing partners like Vanguard are choosing us again.

Now for the part with actual numbers. Greg, over to you.

Gregory T. Wolf

Chief Financial Officer

Thank you, Assaf, and good morning, everyone. Let me take you through our financial results for the 3 months ended June 30, 2026. Revenue for Q2 2026 was CAD 63.9 million, an increase of 98.1% or CAD 31.7 million compared to CAD 32.3 million in Q2 2025. This revenue growth was primarily driven by

increased capital sales project execution in Italy and North America. On a year-to-date basis, revenue increased 109% to CAD 119.1 million from CAD 57.1 million in the first half of 2025, reflecting the sustained ramp-up of capital sale project execution across both quarters.

Gross profit for Q2 2026 was CAD 14.5 million, an increase of 38.2% or CAD 4 million from CAD 10.5 million in Q2 2025. On a year-to-date basis, gross profit increased 71% to CAD 27.2 million from CAD 15.9 million, driven by the same capital sales-led revenue growth. Gross margin in Q2 was 22.7% and year-to-date was 22.8%, which is below our expectations, mostly due to our Rhode Island Bioenergy Facility, one of our build-own-operate assets, which continues to increase its renewable natural gas production at a steady rate. Excluding this asset's approximate CAD 1.8 million gross margin loss in Q2 2026, our gross margins would have been approximately 2.9 percentage points higher, and our adjusted EBITDA would have improved to approximately CAD 3.7 million. Year-to-date, our gross margin, excluding this asset, would have also improved by 3.2 percentage points from 22.8% to 26% and adjusted EBITDA would have been higher by CAD 3.8 million to CAD 6.8 million year-to-date.

Although we see steady operational improvements at the facility, we are exploring other opportunities for this asset given its continued underperformance. SG&A expense for Q2 2026 were CAD 15.2 million compared to CAD 14.3 million in Q2 2025. Q2 SG&A reflects higher legal and tax service fees in the period. The tax service fees relate mostly to tax strategy initiatives across the company, exploring ways to reduce our overall tax costs as we move forward as a profitable entity. On a year-to-date basis, SG&A of CAD 29.3 million was lower by 6.9% or CAD 2.2 million compared to CAD 31.5 million in the same period last year. We continue to run the business with discipline while supporting our growth initiatives.

Turning to the bottom line. Net loss for Q2 2026 was CAD 2.1 million compared to a net loss of CAD 9.5 million in Q2 2025, an improvement of 78% year-over-year. On a year-to-date basis, net loss was CAD 6.5 million compared to a net loss of CAD 15.4 million in the same period last year, an improvement of 58%, driven by higher revenue, gross profit expansion and disciplined cost control.

Now moving to adjusted EBITDA. Adjusted EBITDA for Q2 2026 was positive CAD 1.9 million compared to a loss of CAD 2.2 million in Q2 2025. That is an improvement of CAD 4.1 million or 187% year-over-year. On a year-over-year basis, adjusted EBITDA was positive CAD 3 million, an improvement of CAD 9.2 million or 149% compared to a loss of CAD 6.2 million in the same period last year. This reflects the consistency of our positive trajectory across the first half of the year. This is the fourth consecutive quarter of positive adjusted EBITDA, and it reflects the consistency we have been building towards. On a trailing 12-month basis, we have achieved adjusted EBITDA of CAD 9.7 million.

Turning to revenue backlog. During the second quarter, we signed CAD 66 million in new contract awards in our key markets, including our CAD 58 million contract with Neogenyx Fuels and our CAD 8 million contract with Vanguard Renewables. Our new contract bookings, net of revenue we recognize from revenue backlog during the quarter increased our revenue backlog to CAD 274.9 million at June 30, 2026. This is an increase of 3.8% from Q1 2026 and 7.2% from CAD 256 million at year-end 2025. As a reminder, our revenue backlog rule is to include only signed contract work in our capital sales segment as of the reporting date and to account conservatively only 3 years of long-term O&M contracts, even though those contracts are typically 5 to 15 years in duration. Beyond our existing revenue backlog, we continue to pursue a large pipeline of capital sales and other opportunities across all key markets.

During Q2, we secured a CAD 20 million revolving credit line with National Bank of Canada. This new credit facility provides Anaergia with enhanced liquidity and financial flexibility to help support our continued growth plans and project execution. In addition, we have the ability to increase the credit facility another CAD 10 million to CAD 30 million through the accordion feature. This 3-year credit facility gives us the financial flexibility to continue building our long-term growth plans and reflects the market's confidence in our vision to deliver complex infrastructure projects across multiple continents.

In summary, Q2 marked another quarter of strong execution and continued financial momentum. Revenue nearly doubled year-over-year. Adjusted EBITDA was positive for the fourth consecutive quarter. Revenue backlog continued to expand, and we strengthened our financial flexibility with the new credit facility. We are executing with discipline and building further financial strength into every quarter.

With that, I'll turn it over to Yaniv. Yaniv?

Yaniv Dror Scherson
Chief Operating Officer

Thank you, Greg. Good morning, everyone. I'll walk you through the operational picture for Q2 and how our strategy is delivering in the field. Italy remains our largest market and a strong growth engine. Revenue from Italy in Q2 was CAD 29.8 million, a 370% increase over Q2 from 2025, driven by expanded execution across our Italian project portfolio. Demand across the Italian market remains strong, supported by Italy's national recovery and resilience plan, which backs long-term RNG incentives and capital subsidies on projects. We are watching policy development closely on the next generation of the NRRP incentive program. We see it as a future growth driver of multi-project platform sales.

In Spain, execution is underway on previously announced projects with gas and waste companies, Nortegas and PreZero. These anchor projects position us well for future work in Spain's emerging RNG market. In North America, major news on the capital sales and asset front, propelling the business forward. On the capital front, new contracts with strong balance sheet backed customers, Neogenyx and Vanguard Renewables. In May, we entered into a CAD 58 million contract with Neogenyx Fuels. Neogenyx is a joint venture between Ameresco and HASI Capital. Under this contract, we are supplying anaerobic digestion technology to large-scale agricultural facility in Nebraska. Notably, this is the first project in the Neogenyx pipeline. In April, we signed an CAD 8 million contract with Vanguard Renewables for our fourth technology deployment with this customer. The facility is in Minnesota and will process food, beverage and agricultural waste into renewable natural gas. This repeat supply to Vanguard further validates our technology solutions and execution capability.

On the asset front, commencement of RNG supply under SB 1440 was the major news. In June, SoCal Biomethane began deliveries of renewable natural gas to Southwest Gas Corporation under California's Senate Bill 1440 Biomethane Procurement Program. This is the first project to deliver RNG to a California utility under this program. Notably, the SB 1440 offtake structure supports long-term profitability of the facility and a major growth engine in the state for additional projects.

The Charlotte facility remains idled while we assess the best path forward. The Rhode Island Bioenergy Facility continues to operate, producing RNG and is gradually improving while we address technical issues. As Greg noted, although we see steady operational improvements at the facility, we're also exploring other options best for the asset given its continued underperformance. Our Mojave Escondido assets continue to perform, operating stable and profitably.

This quarter underscores a key trend, sustained capability to execute disciplined quarter-over-quarter and trajectory of increasingly large integrated technology capital sales. Repeat customers with multi-project portfolios across Europe and North America validate our capability to add value and support our expanding business. And in June, our asset platform transitioned into commercial delivery under SB 1440 as our SoCal Biomethane facility became the first project to supply California utility under the largest RNG procurement mandate in North America.

Globally, regulatory tailwinds continue to build with long-term incentives, driving project investment from our customers, Italy's National Recovery and Resilience Plan, the U.K.'s Green Gas Support Scheme, Canada's Clean Fuel Regulation and now California's SB 1440, each creates structural multiyear demand for this kind of infrastructure that we deliver. Our platform is growing in customer base and contract value consistently.

With that, I'll turn it back to Assaf.

Assaf Onn
CEO & Director

Thank you, Yaniv. Thank you, Greg. At the top of the call, I said the trajectory I described 3 months ago continues. Our Q2 results show this. Fourth consecutive quarter of positive adjusted EBITDA, revenue nearly doubled year-over-year. Revenue backlog is building, first commercial delivery under SB 1440 and customers, both new and returning are choosing Anaergia. I want to speak briefly to what comes next.

We will continue to execute, and we will continue to compete for each project. Our technology, our track record and the way we deliver give us both the strength to compete over the long term and the ability to grow with our markets. To our shareholders, thank you for your continued confidence to our employees across every region. Thank you for the work behind these results. And for our partners and our customers, thank you for the trust you continue to place in us every day. We have the people, the technology and the strategy to build on our global leadership. I look forward to updating you next quarter. Operator, we can now open the call for questions.

Question and Answer

Operator

[Operator Instructions] Your first question is from Baltej Sidhu with the National Bank of Canada.

Baltej Sidhu

National Bank Financial, Inc., Research Division

Congratulations on the quarter. I just have a few questions. The first relating to M&A. We're seeing more and more M&A relative to historical periods as it relates to biomethane and biogas facilities. Recently, BP is now looking to offload Archaea Energy as well. So I just want to get your sense of what are you seeing in the marketplace? Are there rooms to kind of look to add assets at favorable costs and IRRs? And how are you looking at valuation? And how does that stack up with what you're seeing?

Assaf Onn

CEO & Director

Baltej, as you know that we are always scanning the market. And we are looking for everything that we have in our markets. Many interesting things are happening across the regions. As you know, we are a global company. And we are looking into many different possibilities. But at the moment, there is nothing to say more at this point.

Baltej Sidhu

National Bank Financial, Inc., Research Division

And then just a follow-up on the recent Australia announcement. That's a new geography for you. Could you just give us a sense of the competitive dynamics on Australia and New Zealand with that regard? And how big of a market could this become? And just as a follow-up to that, are you having other conversations with other parties that could be looking to use your technology in similar spheres?

Assaf Onn

CEO & Director

We entered Australia because we understood their market and the market is very big. We see Australia as what Europe used to be 15 years ago. This is the reason that we are there. As you know, it took us less than a year to sign our first contract, and we are seeing vast majority of opportunities that we are going after at the moment.

Baltej Sidhu

National Bank Financial, Inc., Research Division

Fair. And one last one for me is just on RIB. Could you -- I believe that we've stated prior that we expect it to be breakeven through the back half of the year and are ramping up to 80% utilization in the second half of the year. It's remaining a drag on margins. Could you just -- you pointed to a few items on RIBF. Could you just help us understand kind of where we stand today and the pathway towards breakeven and if through the year-end is still a good guide?

Yaniv Dror Scherson

Chief Operating Officer

We continue to deal with technical issues at the site and the site is improving year-over-year. However, at this point, we're unable to give any predictions or guidance as to timeline for breakeven. As mentioned, we're exploring options that are best suited for the asset. It has underperformed, although the performance has been improving year-over-year.

Baltej Sidhu

National Bank Financial, Inc., Research Division

And just with the CFR, is the 30% uptick in offtake gas pricing, is that still a good approximation just given the CI score that we have?

Yaniv Dror Scherson

Chief Operating Officer

Yes, that's an order of magnitude correct. And notably, though, carbon prices are variable. So the gas price will be shifting based on the credit price at any given time.

Operator

Your next question is from Craig Irwin with ROTH Capital Partners.

Andrew Scutt

ROTH Capital Partners, LLC, Research Division

It's Andrew on for Craig and congrats on the really strong quarter. First one for me. Congrats on the progress for delivering two under SB 1440. Can you kind of talk about how the mandate may drive future demand in California and opportunities for similar projects?

Yaniv Dror Scherson

Chief Operating Officer

Yes. As mentioned, 1440 is the largest and only statewide biomethane program in the United States. It requires the utilities to procure renewable natural gas under long-term fixed price offtakes, financeable revenue certainty type structures. And we see opportunity for many more projects, as mentioned, we leverage wastewater treatment plants, of which there are over 150 in the state of California that have existing anaerobic digesters, many of which can be retrofitted to receive organic waste using Anaergia technology and know-how.

The procurement program has a 2030 goal equivalent to about over 50 facilities the size of SoCal Biomethane. So we see a repeatable financeable program to be developing follow-on projects like SoCal Biomethane to fill the 1440 program. Again, that's earmarked -- has gas earmarked specifically for organic waste diverted from landfill, the type of feedstock that our facilities process.

Andrew Scutt

ROTH Capital Partners, LLC, Research Division

Understood. And then second for me, you guys had a nice uptick in North America revenue, both sequentially and year-over-year. I was just wondering, are there any kind of projects specifically you'd want to call out that you guys kind of executed well on in the quarter?

Yaniv Dror Scherson

Chief Operating Officer

Well, we did quite well across the board. I'd say all of our large projects and major customers that we announced, we hit targets. We delivered financially, as Greg noted, our -- had not been for the Rhode Island sort of offset, we would have been exceeding our margin targets.

Operator

Your next question is from Alexandra Ricci with Paradigm Capital Inc.

Alexandra Renate Ricci

Paradigm Capital Inc., Research Division

Congratulations on 4 consecutive quarters now. Clearly, that capital-light shift is now working. Just with capital sales now carrying most of the growth, as you kind of see backlog conversion accelerating and then additional capital sales volumes, what's going to be the constraint on execution, whether it's engineering, project management, working capital? Or is it something else? And then maybe just a follow-on, kind of at what revenue run rate does that model start to strain?

Gregory T. Wolf*Chief Financial Officer*

Alex, I would say, in general, we don't see a lot of constraints for us to get to like double the revenues here. We're running -- our manufacturing is running at around is 1 shift. We can go to 3. Engineering, we continue to add on engineering capacity as needed. Capital -- the capital structure that we have now with the new facility is very helpful for our growth plans. So we see a pretty clear path to really quite -- double, triple from where we're at right now as we move along. Obviously, as we get more and more projects online resources, we're always looking for the engineering side of things. And we obviously third party some of this -- the civil work and that sort of thing. So we use several contractor -- key contractors in market. So that gives us a lot of flexibility to book and execute projects of all sizes.

Alexandra Renate Ricci*Paradigm Capital Inc., Research Division*

Awesome. And then just into some of the investments in the quarter. It looks like you invested about CAD 10 million into 2 kind of Italian assets. I'm just wondering if you would consider some assets and if we can expect any further investment into those projects?

Gregory T. Wolf*Chief Financial Officer*

That particular situation there was an opportunity that we had. We technically used some of the margin on projects that we had there to do so. And so we think there's upside in the exit strategy that the owners have there, and that's what we did on that particular one. That's not -- we're not looking for further investment into those. We're...

Operator

Your next question is from Donangelo Volpe with Beacon Securities Limited.

Donangelo Volpe*Beacon Securities Limited, Research Division*

Just looking at, I guess, revenue cadence for the second half of the year. Just wondering if you could provide any updates on any large projects that are being completed, everything is running on schedule, and we're still kind of expecting a similar cadence to what we saw similar to last year on the top line.

Assaf Onn*CEO & Director*

Donangelo, the -- all of our projects are online and actually, some of them are -- we are doing a little bit exceeding our expectations there. So I believe the same. Yes, it will be as of last year, if not better.

Donangelo Volpe*Beacon Securities Limited, Research Division*

Okay. I just meant like similar trajectory to sequential improvements. Okay. And then I guess moving over to the O&M side, that was kind of the only year-over-year decline. I'm just wondering if this is primarily a function of project timing and kind of when we could expect O&M revenues to kind of return to growth?

Yaniv Dror Scherson*Chief Operating Officer*

Yes, it's a timing issue. As noticed part of our capital-light strategy is derisking our exposure through more cost-plus style contracts. And so while we benefit from a lower risk profile and follow-on recurring revenue from our capital sales we do see variability on a quarter-by-quarter basis. But overall, the trajectory of growth remains as our capital sales business continues to grow, so will the O&M, as it indexed to the capital sales business and as well as service. So we are seeing growth in the O&M and service and maybe offset here by timing on a quarterly basis.

Operator

[Operator Instructions] Okay. Thank you so much. I will now pass the call back to Darlene Webb for closing remarks. Darlene, please go ahead.

Darlene Webb

Investor Relations

Thank you, operator. And as always, we thank everyone for joining us on this call today. For additional information or should you have any questions, please contact the IR team at ir@anaergia.com or visit us online at anaergia.com. Thank you again for all your time today. Operator, you may now end the call.

Operator

This concludes today's call. Thank you so much for attending. You may now disconnect.

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