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Anaergia Inc. TSX:ANRG

Earnings Call

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Call Participants

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Presentation

Darlene Webb
Investor Relations

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

On today's call, we will be discussing Anaergia's earnings for the third quarter of 2026, which ended September 30, 2026. I am joined this morning by Mr. Assaf Onn, Anaergia's Chief Executive Officer; Mr. Gregory 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. As always, listeners are reminded 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 review the full discussion of risk factors in the company's prospectus filed with the Canadian securities regulators.

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

Assaf Onn
CEO & Director

Thank you, Darlene. Good morning, everyone.

This quarter, we hit 3 milestones in Anaergia's strategy: growth, visibility, and portfolio quality. First, our revenue through 9 months grew over 70% and already exceeded revenue for all of 2025. Second, under this leadership, revenue backlog reached a record of $303.1 million. And we still have a quarter to go. Third, every asset we own is now aligned with our strategy of disciplined profitable growth.

I will return to the portfolio decision and why it matters. First, the numbers. Revenue grew 30% quarter-over-quarter to $66.9 million. Gross profit increased 11% to $16.4 million. Adjusted EBITDA reached $3.1 million and remained positive for the fifth quarter in a row. These results show progress.

Now back to my decision. At the end of September, we sold Rhode Island and Charlotte facilities. I have been clear since I took this role that this company had to decide what it was going to be, a focused technology and project delivery business built for profitable growth. This quarter, I took the hardest step towards the model. In my judgment, those 2 facilities were underperforming, generating negative earnings and absorbing capital and management attention. So we sold them.

The transaction recognized a $21.9 million gain, removed project-level debt from our balance sheet, eliminated the negative earnings, and we secured a stake in the buyer. This way, our shareholders retained a potential upside in those assets.

At the same time, we secured new awards across Europe, North America, and Australia. In Hungary, we signed 2 agreements totaling $70 million that established a meaningful platform in an emerging market. In Australia, we secured our first major reference facility in that market. These awards expand our geographic reach and customer base, 2 countries in 3 months. This shows how established regional centers of excellence can win new customers and open new territories. This is the growth model we can repeat. I want more quarters that look like that.

Our priorities are clear. Revenue backlog must become revenue, keep delivering on markets we open, grow service and O&M earnings, and require every asset and investment to meet our return and risk criteria. The assets we own must perform. We can now see the future ahead. Our portfolio is focused, and

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we have more opportunities in front of us than at any time under this leadership. Our task is to convert this position into earnings and cash flow.

Greg will take you through the numbers, Yaniv the operations. 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 and 9 months ended September 30, 2026. Revenue for Q3 2026 was $66.9 million, up 30.3% or $15.5 million from $51.4 million in Q3 2025. Year-to-date, revenue increased 71.5% to $186 million from $108.5 million during the same period last year. Growth was driven primarily by increased capital sale project execution in North America, Italy, and other EMEA markets. Importantly, 9-month revenue already exceeds revenue for all of 2025, demonstrating the scale of the operating momentum we have built.

Gross profit for Q3 2026 was $16.4 million, up 11% or $1.6 million from $14.8 million in Q3 2025. Year-to-date, gross profit increased 42.1% to $43.6 million from $30.7 million in the same 9-month period of 2025. This reflects stronger contract bookings and project execution in capital sales while reinforcing the importance of continued margin discipline as volume scales. Gross margin was 24.5% in Q3, up from 22.7% in Q2 2026 and compared to 28.8% in Q3 2025. Year-to-date gross margin was 23.4% compared with 28.3% in the prior year period.

The year-over-year comparison reflects in part the operating cost from our Rhode Island and Charlotte facilities through to their September 29 divestiture. Excluding the divested assets, Q3 gross profit would have improved by approximately $1.5 million or approximately a 2.9 percentage point increase in gross margin. On the same basis, excluding these 2 divested assets, year-to-date gross profit would have improved by approximately $5.6 million or 3.7 percentage points to approximately 27.1%. This illustrates the earnings quality benefit from removing the negative contributions of these non-core assets.

With the sale of these 2 facilities completed, our build-own-operate segment is now made up of our SoCal Biomethane facility that has a long-term offtake agreement under California law SB 1440, and our 2 other build-own-operate assets, Escondido and Mojave. It's worth noting that all 3 of the remaining BOO assets are profitable facilities.

SG&A expenses for Q3 2026 were $15.7 million compared to $14 million in Q3 2025. Q3 SG&A reflects higher labor-related costs and legal reserves, partially offset by bad debt recovery in Italy and lower audit expense. Year-to-date, SG&A was $45 million, 0.9 percentage lower than the prior year period, while revenue increased 71.5%. This operating leverage demonstrates that we are supporting growth while maintaining cost discipline.

Turning to the bottom line. Net income for Q3 2026 was $19.5 million compared with a net loss of $0.5 million in Q3 2025. Year-to-date, net income was $13.1 million compared with a net loss of $15.8 million in the prior year-to-date period. In the quarter and year-to-date, we turned net income positive, which is an achievement. We benefited from the sale of our interest in the Rhode Island Bioenergy facility and the project assets of Charlotte Bioenergy facility.

Moving to adjusted EBITDA. For Q3 2026, adjusted EBITDA was $3.1 million compared to $2.6 million in Q3 2025. That is an improvement of $0.6 million or 21.7% year-over-year. On a year-to-date basis, adjusted EBITDA was positive $6.1 million, an improvement of $9.7 million or 270% compared to a loss of $3.6 million in the same period last year. This was our fifth consecutive quarter of positive adjusted EBITDA. It reflects the consistency we have been building towards. Trailing 12-month adjusted EBITDA was approximately $10.3 million, providing a strong base from which to pursue operating leverage and sustainable earnings growth.

Turning to revenue backlog. During the third quarter, we signed approximately $86 million in new contract awards across Europe, North America, and Australia. Our Q3 book-to-bill ratio was 1.48, measured as bookings related to capital sales revenue. Put simply, we booked roughly 48% more capital sale contracts than we recognized as revenue during the quarter, supporting future activity and commercial visibility.

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As a result, revenue backlog increased to $303.1 million at September 30, 2026. This was a 10.3% increase from Q2 2026 and an 18.2% increase from year-end 2025. This is the first time revenue backlog has exceeded $300 million under this new leadership team and based on our definition of signed contract work. Our revenue backlog includes signed capital sales contracts and conservatively only 3 years of revenue from long-term O&M contracts that typically run 5 to 15 years. Beyond revenue backlog, we continue to advance a broader pipeline of contracts across our key markets. Our focus is disciplined conversion; bookings into backlog, backlog into revenue, and revenue into cash-generating earnings.

Subsequent to quarter end, National Bank of Canada approved a $10 million increase under the accordion feature of our revolving credit facility, expanding the facility by 50% to $30 million, subject to the borrowing base. Also worth noting on our balance sheet is with the divestiture of Rhode Island, the purchaser assumed USD 20 million East West Bank term loan. This reduced project-level debt and was reflected in our September 30, 2026 balance sheet. Together, these actions improved financial flexibility as we evaluate growth opportunities against disciplined return and risk criteria.

In summary, Q3 advanced Anaergia on 4 fronts: revenue growth continues with 9 months of revenue already exceeding all of fiscal 2025; record revenue backlog above $300 million for the first time under this leadership team and a book-to-bill ratio of 1.48 in Q3; divestiture of 2 underperforming facilities, which also eliminated USD 20 million of project debt from our balance sheet; and expansion of our revolving credit facility with National Bank by 50% to $30 million. We are proud of these accomplishments. That said, we are in the early stages of our long-term strategic vision.

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

Yaniv Dror Scherson
Chief Operating Officer

Thank you, Greg. Good morning, everyone. I will connect the operational results to the strategy: focused execution, repeatable regional growth, and a deliberate shift towards high-quality earnings. At the end of Q3, as you've heard, we sold the Charlotte Bioenergy facility assets and 100% of our interest in the Rhode Island Bioenergy facility. The Charlotte facility had not been operating for some time, and the Rhode Island facility had been operating below expectations. Between them, they were absorbing engineering and operation attention from our team that would rather be delivering projects for customers.

Greg has taken you through what the transaction does to our results. Operationally, it eliminates the negative earnings those 2 assets were producing and lets us focus resources on profitable growth going forward.

The remaining Anaergia assets continue to operate well. The SoCal Biomethane facility in California continues stable and profitable operations, underpinned by the multiyear revenue visibility under the previously secured California Senate Bill 1440 offtake with Southwest Gas Corporation. The Escondido Bioenergy facility and Mojave assets, also in Southern California, continue to perform.

Elsewhere in North America, we continued executing on a portfolio of projects, including notably a large-scale anaerobic digestion plant that we expect will convert manure into pipeline-quality renewable natural gas at of cattle ranch, Nebraska for Neogenyx Fuels. Neogenyx says that gas has potential to support bio-LNG production for global maritime markets.

Turning over to Europe. Our regional platform is demonstrating how established capabilities can create repeat business and expand into adjacent markets. Italy remains an important growth engine with project execution increasing through the quarter. Demand is supported by Italy's National Recovery and Resilience Plan. Our objective is to convert this market position into multi-project customer relationships, stronger execution leverage, and recurring service opportunities.

In September, we entered into a $36 million agreement with TisVet, one of Hungary's largest poultry producers, to supply technology and engineering services for a new anaerobic digestion facility, subject to conditions precedent. We anticipate the facility will treat 122,000 tons of agricultural waste a year and produce 5 megawatts of electricity. And it is one of the first projects developed under Hungary's new government-supported scheme for anaerobic digestion. This is our first major project in Hungary in years,

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reflecting an expansion in territory led out by our Italian regional base. The project award provides early exposure to an emerging incentive regime.

We also signed a second Hungarian contract during the quarter, an engineering, procurement, and construction contract worth approximately $34 million for a new RNG facility. It is designed to process more than 140,000 tons of agricultural feedstock a year and produce more than 900 normal cubic meters an hour of biogas for upgrading into biomethane and injection into the local gas grid. Our scope includes our Triton anaerobic digestion technology, our FeedREX feedstock reception systems, digester mixing, and digestate dewatering. Engineering is already underway with completion in that market. And those projects position us well for Spain's emerging RNG market exposure.

In the Asia Pacific region, we successfully secured work in new territory. In July, Anaergia Australia signed a contract with RF Corval to supply technology for an advanced anaerobic digestion facility at the Goodness Grown production site in Tongala. The facility is designed to process up to 120,000 tons of agriculture and commercial feedstock a year to produce more than 100 terajoules of biogas annually, and it is partly funded by the Australian Renewable Energy Agency. We anticipate total contract revenue of approximately $14 million. This is our first major reference facility in the Australian market led out of our established Singapore regional base.

Globally, the regulatory tailwinds continue to build. Italy's National Recovery and Resilience Plan, Hungary's new support scheme for anaerobic digestion, Europe's REPowerEU biomethane targets, the United Kingdom's Green Gas Support Scheme, Canada's Clean Fuel Regulations, and California Senate Bill 1440 each create structural multiyear demand for this kind of infrastructure we deliver.

Our platform continues to grow in customer base, in contract value, and in geographic reach. Against that backdrop, this quarter underscores a key trend: major project awards in Hungary and Australia, alongside repeat customers with multi-project portfolios across Europe and North America. We're laying the groundwork for successful, repeatable, and sustainable growth by leveraging proven, long-standing centers of excellence to continue to deliver repeat work regionally and expand into new territories successfully.

With that, I will turn it back to Assaf.

Assaf Onn
CEO & Director

Thank you, Yaniv. Thank you, Greg. You have heard the details from Greg and Yaniv. I will not repeat it. I want to close with the investment case emerging from this quarter, what this company is now and where it goes next.

The Americas, Europe, Asia Pacific, more than 235 facilities in more than 18 countries. That is the company today, a global technology and project delivery platform. The platform is growing and its portfolio is focused. What comes next? The markets we serve are expanding, and they are supported by long-term government programs. Europe has set a biomethane target for 2030. California is building a long-term market for renewable natural gas. Japan and South Korea are moving in the same direction. In each of these markets, policy ambition and customer demand require far more RNG plants than exist today.

Anaergia's opportunity is to convert that gap into profitable repeat growth. We have spent the last 2-plus years building the reference projects, the regional teams, the customer relationships to go after it. That is what opens new markets. It is also what brings us service and O&M work once a plant is running. Following the actions taken this quarter, our portfolio is better aligned with that strategy, and our resources are focused on value creation. Nothing in our portfolio is pulling against us.

Thank you to our shareholders for your support, to our people in every region for your hard work, and to our customers and partners for the trust you place in us. I am more confident than ever in what our company can do. And I am just as clear about the work it takes to turn that into shareholder value. We look forward to reporting our progress against these priorities with our fourth quarter and full year 2026 results next year.
Operator, we can now open the call for questions.

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Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Yuri Lynk with Canaccord Genuity.

Yuri Lynk
Canaccord Genuity Corp., Research Division

Just trying to square the bookings, which were a very nice surprise. I'm wondering if the $34 million award in Hungary that you press released on November 9, was that booked in Q3? Or is that going to be a Q4 award?

Assaf Onn
CEO & Director

It was booked on September 30 in Q3.

Yuri Lynk
Canaccord Genuity Corp., Research Division

Okay. That number makes more sense. Okay. That's great. And I mean, how do you feel about the ability to end the year with a higher capital sales backlog than where we sit today?

Assaf Onn
CEO & Director

We are more confident than ever that we will be much higher than we are today, Yuri. And I believe that you already saw a release, and I know that you will see a few more in the upcoming weeks.

Yuri Lynk
Canaccord Genuity Corp., Research Division

Okay. Last one for me, just on -- maybe for Greg. The CapEx in the quarter looked a bit high, $4.5 million CapEx in the quarter. Just wondering what that is and if that goes back to normal going forward?

Gregory T. Wolf
Chief Financial Officer

Yes, the CapEx will go back to normal. There's just some expenses that occurred during the quarter. But other than that, it's a normal course for us on an overall year.

Operator

Your next question comes from the line of Baltej Sidhu with National Bank of Canada.

Baltej Sidhu
National Bank Financial, Inc., Research Division

Just looking at the cadence of revenue sequentially and year-to-date, is there anything in specific to call out for Q3, particularly for capital sales in terms of deliveries or shipments and any project work that's being pushed into Q4 perhaps?

Yaniv Dror Scherson
Chief Operating Officer

Generally speaking -- it's Yaniv here. Generally speaking, the previously announced capital sale contracts are well into execution. They're performing well overall. Our large projects in Italy and North America are proceeding normal course. And those 2 regions with large sort of concentrated large capital sales have been the major drivers for Q3. We expect that trend to continue.

Baltej Sidhu

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National Bank Financial, Inc., Research Division

Great. And then on the Charlotte and divestment pro forma Q3 would imply a positive $1.2 million on gross profit with SoCal Biomethane contributing the majority. Could you just provide us an update on SoCal's production ramp and expected timing to reach full capacity?

Yaniv Dror Scherson
Chief Operating Officer

Yes. SoCal has been performing well. We anticipate an improvement towards full capacity over the coming quarters. The securing of the offtake agreement has been a major catalyst to help expand the assets. They actually expanded the contracted volume from the previous sales arrangements. And so there's some lag into ramping up into filling out that larger offtake contracts under the 1440 regime that's been secured. So it's a steady process, but we've seen improvement quarter-over-quarter since the securing of the 1440 offtake, and we anticipate that over the coming quarters into next year, we'll be approaching the nameplate.

Baltej Sidhu
National Bank Financial, Inc., Research Division

Very good. And one more, if I may, on operating leverage. So SG&A has remained broadly flat year-to-date despite substantial revenue growth. When we're looking forward in terms of capital sales growing, what incremental investment do we need in engineering, project management or sales to continue to execute on the current backlog? And could we continue to see operating leverage kind of being increased with flat to inflation adjusted on SG&A?

Yaniv Dror Scherson
Chief Operating Officer

Yes. Typically, we don't expect a material change on SG&A as we secure more work. The reason being is the majority of the work that we need to scale is billed to the project, embedded in the cost, mostly billable labor. And we've consolidated from regional bases to execute. As we noticed, as we mentioned in the call, our regional bases in North America, Asia, and Europe are being leveraged on that sort of core base to be able to secure work in tangential regions within Europe, within Asia, and so forth. So as we expand more work, we're not adding to the regional overhead or corporate overhead. We're bringing on more resources as needed, but those are, as I said, built into the cost of the project. So accretive to bottom line.

Operator

[Operator Instructions] It appears there are no further questions at this time. I would like to turn the call over to Darlene Webb for closing remarks.

Darlene Webb
Investor Relations

As always, we thank everyone for joining us on the 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 all again for your time today. Operator, you may now end the call.

Operator
This concludes today's conference. Thank you for attending. You may now disconnect.

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