



Fourth Quarter and Full Year 2025 Earnings Call

March 4, 2026

Prepared Remarks

ERIN REED

Thank you, Operator.

This is Erin Reed, Head of Investor Relations at Stem. We welcome you to our fourth quarter and full-year 2025 earnings call. 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. We therefore refer you to our latest 10-K other SEC filings, and supplemental materials, which can be found on our IR 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 fourth quarter and full year 2025 earnings release, which is on our website.

Arun Narayanan, CEO, and Brian Musfeldt, CFO, will start the call today with prepared remarks and then we will take your questions. With that, I will turn the call over to Arun.

ARUN NARAYANAN

Thank you, Erin. Good afternoon, everyone and thank you all for joining us today. I am pleased to be speaking with you one year after assuming the role of CEO, and I could not be more proud of what the Stem team has accomplished over the past twelve months: best-in-class execution, unwavering commitment to our customers and each other, and disciplined financial performance. 2025 was a transformative year that methodically yet decisively reshaped Stem into a software-centric, operationally disciplined organization. We delivered on every commitment we made, and

the proof of our strategic transformation is in the results. Today I will take you through a lookback on our fourth quarter and full-year accomplishments. After that, I will walk you through our 2026 priorities and show you how we are determined to become the operating system for clean energy projects. And finally, I will give you a preview of guidance for the year ahead. Brian will follow with the detailed financial results and our complete 2026 outlook.

In 2025, we delivered on guidance across every metric. Full year 2025 revenue grew 8% year-over-year to \$156 million with over 55% of that revenue coming from software and services, evidencing our successful and ongoing transformation. Software, services, and edge hardware revenue grew 25% year-over-year to \$141 million. Year-end ARR grew 16% year-over-year to \$61 million. In 2025 we substantially expanded gross margins and considerably reduced our operating expenses. We achieved three consecutive quarters of positive adjusted EBITDA, resulting in our first-ever full year positive adjusted EBITDA of \$7 million. We also achieved positive operating cash flow for full year 2025 – another first and major accomplishment in the company’s history.

Throughout the year we continued to deepen and expand our PowerTrack platform, delivering meaningful improvements in platform stability, performance, and customer experience. We added six gigawatts of solar assets to a total of 36 gigawatts under management and added \$7 million in PowerTrack ARR to reach \$41 million.

In 2025, we accelerated our R&D efforts, leveraged AI tools, and rebuilt our product roadmaps. We successfully launched two new products last year. Both products, PowerTrack EMS and PowerTrack Sage, have resonated well with our customers and we are encouraged by the early traction.

We launched PowerTrack EMS in September 2025 and it is a premier solution for utility-scale projects. This morning, we announced a new engagement with Everyray, a German clean energy developer and EPC. This 100 MWh deal further expands Stem's presence in Germany and reinforces PowerTrack EMS’s role as the control backbone for sophisticated, utility-scale storage deployments across Europe and other international markets. Commercial operations for those deployments are expected to commence in the summer of 2026.

Our expansion into the utility-scale market, both domestically and internationally, gained meaningful traction in the fourth quarter, with utility-scale bookings increasing 10% sequentially.

Notably, nearly all fourth-quarter utility-scale bookings were driven by international solar projects, underscoring growing demand in global markets.

I talked with you about PowerTrack Sage, our AI-powered assistant, in previous calls and I continue to be excited about it. We deployed PowerTrack Sage in the fourth quarter to more than 80 customers for a beta trial, and the feedback has been overwhelmingly positive. PowerTrack Sage will be generally available at the end of this month. At launch, we will deploy a "lite" version across the entire PowerTrack customer base, embedding AI-assisted capabilities into the core platform from day one and accelerating adoption at scale. This universal rollout ensures immediate value realization while positioning AI as a foundational component of the PowerTrack experience. For customers seeking deeper automation, advanced analytics, and expanded workflow functionality, we will soon offer premium tiers at incremental cost, creating a clear pathway for upselling, monetization, and long-term platform expansion.

Finally, our managed services business delivered solid fourth quarter performance, highlighted by a new brownfield agreement. Under this deal, we will operate and optimize a four-site energy storage portfolio for a southern California utility. Our services include real-time asset monitoring, enrollment and dispatch into California Demand Response programs, performance reporting to optimize site dispatches and energy cost savings, and more. This is a solid proof point for our differentiated managed services capabilities and validation of our brownfield strategy.

Overall, the result of 2025 is this: Stem has established a stable, increasingly profitable, software-centric business model.

2025 was about transformation and achieving stability. 2026 is about operational leverage and building for scale – so let's dive in. As we enter the new year with strong fourth quarter momentum, we are focused on three new priorities: Priority #1: Driving operational leverage; Priority #2: Continuing to strengthen our core business; and Priority #3: Building the foundation for accelerated growth in 2027 and beyond. Now let's dive deeper into each of these in turn.

First – driving operational leverage. We have built a sustainable business model, and in 2026, we intend to demonstrate the leverage it creates. Our software-centric model delivers predictable, high-margin revenue and cost discipline is now embedded in the culture of this company. In 2026, we will continue integrating AI across the organization to drive productivity improvements, and

we will maintain our relentless focus on cost reductions, cash conservation, and working capital management.

Second - strengthening our core business. We remain focused on driving core platform excellence for PowerTrack in 2026. The platform today maintains its market-leading position in commercial and industrial solar monitoring in the US. This year, we will deliver further platform stability, scalability, and simplified, intelligent UI updates that drive customer value and retention. The domestic C&I solar market, where we already hold significant share, offers moderate growth in 2026 - but this is a stable, high-retention base that continues to generate recurring revenue. Additionally, we are targeting a brownfield strategy to further increase our market share as well as a range of other adjacent offerings.

Our other core business, managed services for energy storage, continues to be a differentiated offering that sets Stem apart from competitors. Our brownfield strategy remains a key focus, as does actively pursuing greenfield opportunities. We are scaling in existing domestic markets, leading with our proof of performance, and winning with our differentiated offerings.

And finally, to priority number three, building for growth in 2027 and beyond. Outside of our core C&I solar and storage businesses, we are focused on expanding our utility-scale footprint domestically and internationally. We are targeting key markets across Europe - leveraging local support infrastructure that we have built and continue to invest in. Both the domestic and international utility-scale storage and solar markets are growing, and we are well positioned to capture rising demand and take share. PowerTrack EMS helps us differentiate in the utility-scale space by providing a solution for hybrid solar plus storage sites and also standalone BESS sites, which are increasingly common in the utility-scale market. We expect meaningful revenue conversion of PowerTrack EMS bookings to begin at the end of 2026 and the beginning of 2027.

While we are bringing PowerTrack EMS to market this year, we are also exploring other ways in which our team's expertise and our technology can deliver value in the clean energy space. This year, we are starting with two areas of emerging opportunity. First, as part of our suite of professional services offerings, we are developing AI services that leverage our domain expertise and operational knowledge to help customers identify, prioritize, and deploy the current iteration of generative AI solutions in ways that generate real economic outcomes. These offerings are distinct from PowerTrack Sage, and they are focused on helping customers unlock value across

their broader operations. And our second area of opportunity is with data centers. More and more, we are seeing data centers adopting renewables as a power source. We believe Stem has the foundational technology and deep expertise in both solar and storage to be a meaningful player in this market. I am encouraged by these options. We see a natural extension of our existing capabilities driving our entrance into this space and I look forward to updating you all on our progress in the coming quarters.

2026 is an optimization year - focused on margin expansion and operating leverage - while we continue to invest selectively in the capabilities that will drive scale in 2027 and beyond. I want to be deliberate about that framing, because it shapes how you should think about our trajectory. PowerTrack EMS was launched in late 2025 - it accelerates through the end of 2026 and substantially scales in 2027 and beyond. Our utility scale team is building meaningfully in 2026 and this foundation will drive us toward taking share in 2027+. We believe that the market positions we are strengthening today will pay dividends for years to come. The building blocks we are putting in place span every dimension of the business. On technology: our AI integration, and improving stability and scalability. On markets: international expansion and utility scale expansion here and abroad. On products and offerings: a comprehensive suite from solar monitoring to storage optimization. On operations: building operating leverage and driving operational excellence. Expanding the value chain of our offerings today sets up the foundation for future growth. This is important to note because it ties into our core software-centric vision for Stem. We are determined to become the operating system for new energy projects, across solar, storage and hybrid assets, and in different market segments and geographies.

Before turning it over to Brian, let me introduce the key themes of our 2026 guidance. We are entering the year with a strong foundation from our 2025 execution and believe we are well positioned to execute on our commitments. We expect our software-centric strategy to drive moderate top line revenue growth, strong gross margins, and significant adjusted EBITDA expansion – supported by continued software momentum, our expanding product suite, and the operational leverage we have built into the business. Brian will provide a more detailed look at our 2026 guidance and also dive deeper into our fourth quarter and full year 2025 financial results – with that, let me pass over the call to him.

BRIAN MUSFELDT

Thanks Arun, and hello everyone. Let's walk through the results. For the full year 2025, we were in-line or above all of the financial expectations we outlined on our third quarter call. We exceeded our profitability guidance, demonstrating the dedication to operational discipline that runs throughout this organization.

For the full year of 2025, total revenue was \$156 million, up 8% year-over-year. Most importantly, revenue from software, services and edge hardware – the core of our software-centric model – was up 25% year-over-year to \$141 million. Battery hardware resale was \$15 million for the year, consistent with our strategic de-emphasis of this lower-margin business. This shift in revenue mix is precisely what we committed to delivering, and it is reflected in our improved gross margin performance this year.

Turning now to the fourth quarter, PowerTrack software revenue continued its strong performance, growing 14% year-over-year, and edge hardware revenue grew an impressive 21% year-over-year. Managed services revenue was up 51% year-over-year, driven in part by one-time performance-based revenue, where we exceeded asset operational targets. Battery resale revenue was down from \$27 million to less than \$1 million year-over-year, as expected. Project and professional services revenue increased significantly year-over-year, driven by approximately \$11 million of one-time DevCo revenue recognized in the fourth quarter. Excluding DevCo, fourth quarter project and professional services revenue was up 27% year-over-year. I also want to note that as of the end of the year, we have sold, or written off, all the project assets associated with DevCo from our financial statements, and we do not intend to make any further investments in DevCo assets moving forward.

Now, let's take a look at gross margins. For the full-year 2025, we achieved record GAAP gross margins of 38% and record non-GAAP gross margins of 46%, driven by decreased battery hardware sales, a favorable software and services revenue mix, and improved edge hardware margins. Fourth quarter GAAP gross margins were 49%, and non-GAAP gross margins were 45%, continuing our strong results. You can again find the detailed revenue and margin breakdowns we introduced last quarter in our supplemental materials on our IR website.

Full year 2025 cash operating expenses were down 41% from 2024, and fourth quarter cash operating expenses were down an impressive 50% year-over-year. We are building sustainability into our cost structure - not temporary reductions, but permanent, structural efficiency - while

simultaneously developing new products and entering new markets. That combination is the foundation of our operating leverage thesis moving forward into 2026 and beyond.

The improved margins and significantly reduced OpEx in 2025 drove positive adjusted EBITDA of approximately \$7 million for the year, above the high-end of our guidance range, and representing the first year of positive annual adjusted EBITDA in Stem's history. We achieved three consecutive quarters of positive adjusted EBITDA this year, with the fourth quarter coming in at \$5 million, a 30% improvement from the fourth quarter of 2024. The improvement was primarily driven by improved gross profits and reductions in operating expenses, with modest additional benefit related to the final sales of the DevCo project assets.

Full year operating cash flow was \$7 million, slightly above the high end of our revised guidance. The fourth quarter benefited from the sale of our DevCo project assets and other favorable working capital movements. We ended the fourth quarter and full year 2025 with \$49 million in cash – up from \$43 million at the end of the third quarter. This is a solid liquidity position that supports our 2026 plans.

And now turning to our operating metrics. Fourth quarter bookings were \$33 million, up slightly from last quarter due to increased software and services bookings, offset by decreased battery hardware bookings. Contracted backlog was \$21 million, down 4% from \$22 million last quarter due to decreased battery hardware bookings. Our end of year 2025 backlog is 2% higher than it was and the end of 2024, and excluding battery hardware, is 23% higher than the prior year. CARR decreased \$3 million sequentially to \$67 million, due to lower managed services bookings and the cancellation of a managed services customer engagement. This customer cancellation, driven by adjacent, non-scalable product requests outside of our roadmap, impacted CARR by \$3 million, ARR by \$1 million, and AUM by 0.1 gigawatt hours. Despite this cancellation, total company ARR grew 1% sequentially, and 16% year-over-year to \$61 million, supported by increased PowerTrack software bookings.

Turning now to our full year 2026 guidance. We are encouraged by the strong momentum we carried throughout 2025, and that we bring forward into 2026. We expect that performance to accelerate as we advance throughout the year.

For revenue, we expect total revenue in the range of \$140 million to \$190 million. Within that range, we expect \$130 million to \$150 million to come from high-margin software, services, and edge hardware revenue - our core business. We expect the remaining balance of up to \$40 million to be driven by battery hardware resales, which remain opportunistic and are not a strategic priority. We expect non-GAAP gross margins of 40% to 50%, broadly in-line with our 2025 performance. Higher battery hardware resales would cause gross margin percentage to trend toward the lower end of that range. We expect adjusted EBITDA of \$10 million to \$15 million - representing approximately 85% growth at the midpoint versus full-year 2025 - driven by revenue growth, operating expense discipline, and increased operating leverage. We expect operating cash flow of \$0 million to \$10 million, reflecting stable cash generation from operations for the year. And finally, we expect ARR of \$65 to \$70 million, representing approximately 10% growth at the midpoint, continuing the momentum from 2025.

I am extremely proud of what this team has accomplished in 2025, and we are continuing to build a strong foundation into 2026 that sets us up for accelerated growth in 2027 and beyond.

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

ARUN NARAYANAN

Thank you, Brian. As I reflect on 2025, I am struck by the scope of what our team accomplished. We delivered a business transformation, executed a financial turnaround, completed two new product launches, and demonstrated a clear strategic path forward. We said we would do it, and we did it.

As I look ahead through the remainder of 2026 and beyond, I am confident. We have three clear strategic priorities to guide us in 2026. We have an ambitious but achievable adjusted EBITDA target and multiple growth drivers that de-risk execution. And last but certainly not least, we have a team with a proven track record of executing.

Our long-term vision is to build a scalable, profitable software and services company that holds a market leadership position in clean energy intelligence. Stem is uniquely positioned to capitalize on the ongoing clean energy transformation with a market-leading platform, a growing product suite, and an expanding global footprint.

To our customers – we are grateful for your continued partnership and trust. To our investors – we appreciate your support through this transformation and your confidence in our vision. To our team – your execution through a challenging, transformational year reflects your talent, your resilience, and your dedication. Thank you.

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 fourth quarter and full-year earnings call, and we look forward to speaking with you next during our first quarter 2026 earnings call this spring. Thanks everyone.