

# KLNG Earnings Call Transcript

**Date: 2025-11-14**

**Quarter: 3**

Operator: Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the Koil Energy Third Quarter 2025 Earnings Conference Call. [Operator Instructions] As a reminder, this call is being recorded today, Friday, November 14, 2025. A detailed disclaimer related to Koil Energy's forward-looking statements is included in the press release issued Friday morning and filed with the SEC. It is also available on the company's site, koilenergy.com or upon request. A reconciliation of non-GAAP financial measures used in the press release and on today's call is included in the press release and on the website. Listeners are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. Koil Energy also undertakes no obligation to revise any of its forward-looking statements to reflect events or circumstances after the date made. At this time, I'd like to turn the call over to CEO, Erik Wiik.

Erik Wiik: Good morning, ladies and gentlemen. Thank you for joining us today. I'll begin with an overview of our third quarter performance. Following my remarks, Kurt Keller, our Chief Financial Officer, will deliver a detailed analysis of our financial performance. I'll then provide an outlook for coming quarters. Finally, we'll be happy to answer any questions you may have. We increased revenue by 22% this quarter. Koil energy is growing again. During the quarter, Koil Energy generated revenues of \$6.4 million, this is 22% higher than last quarter and 22% higher than Q3 last year. Both services and fixed price contract experienced significant growth. Service revenue grew 33% and fixed price contracts or product sales increased by 15% compared to Q3 last year. This was driven by an exceptional order intake over the past 4 months. Services have expanded into renewables with a significant contract handling the spooling of power cables for a wind farm project. I would like to thank our service team for successfully assisting in winning this project and receiving excellent feedback during the ongoing project execution. I would also like to share with you that we have been awarded our 2 first contracts in Brazil. These are not significant in value and have, therefore, not been announced earlier. This includes a maintenance survey on a production vessel off the coast of Brazil and a rental agreement for the 3 subsea deployment frames. These are currently being fabricated in country. I would like to thank our team in Brazil and those that are supporting this initiative from Houston. This is a big step forward in our growth strategy. Adjusted EBITDA was negative 3% of revenue or a loss of \$249,000 caused by a write-off of a receivable. Payments from a client located in the U.K. have been outstanding for more than 7 months without any explanation or communication from the company, OMSI Limited. As a precaution, we have decided to write off the receivable this quarter. Koil Energy intends to collect the full amount of \$569,000 and has filed a lawsuit and serve it to our customer. And with that overview, I'll now turn the call over to our Chief Financial Officer, Kurt Keller.

Kurt Keller: Thank you, Erik, and good morning, everyone. As Erik mentioned, for the 3 months ended September 30, 2025, coil generated revenues of \$6.4 million, a 22% increase compared to revenues of \$5.2 million for the same period last year. We generated strong revenue across all product lines, but particularly in services. Gross profit for the quarter totaled \$2.1 million or 32% of revenues compared to \$2.1 million or 40% of revenues during the third quarter of 2024. While profitability was unchanged on a dollar basis, the margin decline reflected a higher mix of pass-through procurement costs in our Service segment. Selling, general and administrative expenses equaled \$2.5 million for the quarter, up \$928,000 from the prior year. Much of the increase was driven by the OMSI write-off, followed by higher

legal costs tied to patents and master service agreements and by the addition of key personnel. We recorded a net loss for the third quarter of \$413,000, translating to a loss of \$0.03 per fully diluted share. This compares to net income of \$523,000 or \$0.04 per fully diluted share recorded in the third quarter of 2024. The reduction in earnings reflected an increase in bad debt expense, a project mix containing lower gross margin contracts and investment in building our Brazil operations. Turning to our balance sheet. As of September 30, 2025, Koil reported \$4.9 million in working capital, including \$1.9 million in cash and \$5.4 million in net receivables. This compares to \$5.7 million in working capital at year-end 2024 with \$3.4 million in cash and \$3.1 million in net receivables. The shift is primarily due to the timing of billing and collections tied to our fixed price contract milestones. We remain highly focused on cost discipline and consistent execution. Our business carries significant operating leverage, and that negatively impacted our financial results earlier in this year. However, with a solid backlog and a strong sales pipeline, we expect operating leverage to work in our favor and positively impact performance going forward. I'll now turn the call back to Erik for his closing remarks.

Erik Wiik: Thank you, Kurt. Before we address any questions, I'll provide an update on order intake and our outlook for the coming quarters. In August, we announced that Koil Energy had been awarded a significant contract for the supply of control equipment for a subsea isolation valve system. At the Q2 earnings release, we also shared that we received a significant subsea tieback project in the Gulf of America and a significant cable management services project as well as a major international greenfield project with a large quantity of flying lead cables. In October, Koil Energy announced the award of another significant contract, including steel tube flying leads and associated equipment. That's 5 big projects in a short amount of time. Thanks to these successes, we now have a record high backlog, which bodes well for the future quarters. Furthermore, the bidding activities have continued to increase, leading to a historic value of submitted quotation during the third quarter. We have discussed in previous calls that the global demand for subsea equipment and services is on the rise. This is a combination of: One, continued discoveries of large reservoirs in subsea basins; two, subsea tieback opportunities to increase production of existing fields; and three, customers addressing maintenance needs on their aging subsea infrastructure. As part of this quarterly update, we have recently received positive client feedback from the U.S., Brazil and Norway, indicating that future subsea tieback activities may become significantly higher than previously anticipated. This is welcome news since Koil Energy brings unmatched expertise in subsea tieback projects. In summary, we remain highly confident in our ability to deliver on our long-term growth strategy. Recent wins have positioned us strongly for the upcoming quarters. On profit margins, we are proactively increasing project contingencies to manage cost volatility and project returns. Additionally, the strength of our backlog provides a solid base load, giving us the flexibility to strategically test and optimize price points in future bids to enhance profitability. That concludes our prepared remarks today. So I will turn the call back to the operator to take investor questions. Operator?

Operator: [Operator Instructions] At this time, there are no questions. This concludes our question-and-answer session. I would like to turn the conference back over to Erik Wiik for any closing remarks.

Erik Wiik: Thank you, operator. And our thanks to all of you who joined our call today. We appreciate your interest in Koil Energy and look forward to the next earnings call. This concludes our call. Thank you.

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