

Solaris Energy Infrastructure: How fast should the fleet grow?

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A new business, a large orderbook

On November 7, 2024, Solaris Energy Infrastructure filed its third-quarter report. The company had spent the previous year moving beyond its oilfield-services roots. In July it agreed to acquire Mobile Energy Rentals (MER), a mobile power-generation business. Solaris completed the acquisition on September 11, renamed itself Solaris Energy Infrastructure, and replaced its former ticker SOI with SEI. The acquisition was closed; it is not the decision in this case.

Solaris now had two operating businesses. Solaris Logistics Solutions supplied equipment and services to oilfield customers. Solaris Power Solutions (SPS), which included MER, supplied mobile generation equipment and related power services. Management described AI computing and electrification as sources of growing demand for temporary and distributed power.

The question for the leadership team is what to do next: **how quickly should Solaris commit capital to power-generation capacity beyond equipment already on order, and how should it finance that growth?** This is a classroom resource-allocation question based on the information available at the cutoff. It is not a report that the board had a pending vote or that management had disclosed an undecided turbine order.

Two businesses, different demand profiles

Solaris' legacy oilfield business remained much larger in the third quarter. It reported \$70 million in Solaris Logistics revenue and \$24 million in segment Adjusted EBITDA, a company-reported non-GAAP measure. Its 91 fully utilized systems were one fewer than in the prior quarter. Management attributed the sequential revenue decline to lower last-mile trucking and a slight reduction in fully utilized systems. In its 2023 annual report, Solaris said a significant share of legacy revenue came from a relatively small number of customers, it typically did not have long-term customer contracts, and equipment might not be redeployed at comparable prices or utilization after a customer loss. The company also identified oilfield customer spending as cyclical.[1]

SPS contributed about \$5 million of revenue and \$3 million of segment Adjusted EBITDA, a company-reported non-GAAP measure, during its first 20 days under Solaris, September 11-30. The company said those results primarily reflected data-center operations. These are reported figures for a short period, not a full-quarter run rate. Consolidated third-quarter revenue was \$75.0 million, net loss was \$2.2 million, and company-reported consolidated Adjusted EBITDA, a non-GAAP measure, was \$22 million.[2]

The new business was still being built. Solaris reported that it expected to have approximately 535 MW of power-generation capacity after equipment already on order was delivered by the end of the third quarter of 2025. It had signed power-service agreements covering approximately 450 MW, with terms of two to four years.[2] The figures were rounded and reported by management. They describe contracted capacity against expected fleet capacity; they do not reveal utilization, price, customer credit, cash margin, cancellation rights, or the amount of capacity needed for maintenance and redundancy.

Solaris had already approved large equipment purchases to assemble that expected fleet. Its acquisition materials had described approximately \$308 million of investment for 358 MW of turbine equipment expected through the third quarter of 2025. That equipment plan is part of the starting point, not a new discretionary order for this decision.[3]

The financing constraint

As of September 30, Solaris reported \$325 million of term-loan borrowings. The variable rate was 11.1% at quarter-end. The company estimated \$36.6 million of interest over the next 12 months if that rate remained constant, with \$4.1 million of principal due in that period. The debt repriced with rates and leverage; voluntary prepayment before September 2027 carried call protection. Financial covenants began testing in September 2025.[4]

The balance sheet showed \$18.634 million of cash and cash equivalents and \$97.907 million of restricted cash. The restricted amount was intended for growth capital expenditures, so it was not general corporate liquidity. Solaris also had a new \$75 million revolving facility, but availability depended on a borrowing-base calculation; headline capacity was not the same as immediately available cash.[4]

In the third quarter, operating cash flow was \$11 million. Company-defined free cash flow after asset disposals was negative \$47 million, including a \$7 million working-capital use. Capital expenditures were approximately \$58 million, primarily turbine progress payments. The company estimated total capital expenditures of approximately \$295 million over the next four quarters, including \$130 million in the fourth quarter, with most supporting Power Solutions. It separately disclosed \$219.2 million of growth-equipment purchase commitments due over the next 12 months. The capex estimate and purchase commitments may overlap and should not be added without reconciling timing and purchase orders.[4]

Solaris' Q4 dividend had already been approved at \$0.12 per Class A share, with a matching LLC distribution, for approximately \$7 million in total. About \$15.4 million remained under its \$50 million share-repurchase authorization, although no repurchases occurred in Q3. The authorization was discretionary; the Q4 dividend was not a decision still open on November 7.[4]

Management said that the company expected to fund its growth plans through cash, operating cash flow, the revolver and potential capital-markets activity. This was management's liquidity assessment, not a guarantee of funding or a project-level return calculation.[4]

A market with several ways to solve the power problem

Solaris was not choosing between its turbines and no power. Customer sites could face grid-interconnection delays and demand for temporary capacity, but alternative architectures were available. Enchanted Rock described a managed “Bridge-to-Grid” service: onsite generation before interconnection, with the possibility of transitioning to flexible or backup service after grid access. Aggreko described electrical-distribution packages that could use available grid power without generators, avoiding generator fuel where grid access was sufficient.[5] These are adjacent alternatives, not comparable bids. Their suitability depends on timing, capacity, reliability, emissions and price at each site.

Solaris’ contracts offered some visibility, but the public disclosures did not show contract prices or margins, minimum billing, customer-by-customer MW, credit quality, termination rights, fuel pass-through or the timing of grid connections. A signed MW is not the same as a dollar of revenue or collected cash. Solaris’ new power contracts had two-to-four-year terms, while the debt, equipment commitments and asset life extended across different time horizons.

The allocation choice

For this exercise, assume you are advising Solaris’ senior leadership on resource allocation after the MER close. Use only information available by November 7, 2024. The decision is whether and how quickly to commit additional capital beyond the equipment already ordered.

Preparation deliverable: Submit a two-page recommendation memo choosing accelerate, stage or pause. Include funding guardrails and one observable trigger that would cause you to change the pace.

Three paths are plausible:

1. **Accelerate capacity.** Place further orders promptly to pursue demand, secure equipment slots and build operating scale. This path is more attractive if demand is durable, contracts support attractive contribution margins and delivery slots are scarce. It increases funding needs and the risk of underutilized equipment if customer demand, site readiness or grid timing changes.
2. **Stage growth against signed demand.** Deploy the existing orderbook and authorize additional equipment in customer-backed tranches. This preserves some capacity to respond while allowing Solaris to learn about realized utilization, collections, service costs and integration. It could lose equipment availability or customers if competitors can deliver faster.
3. **Protect financial flexibility.** Pause incremental fleet commitments beyond existing orders, retain liquidity and prioritize scheduled debt service. This reduces exposure to a market slowdown and expensive financing, but may constrain growth if customer demand and power bottlenecks persist. Future discretionary repurchases and distributions would compete with investment and liquidity.

These are analytical alternatives. The public information does not establish that Solaris’ leadership had selected among them or had called a specific decision meeting.

Questions for discussion

1. How much confidence should Solaris place in 450 MW of signed agreements against 535 MW of expected capacity? What additional contract or operating evidence would change your view?

2. Which uncertainties can be reduced by waiting for the first operating data from SPS, and which opportunities may be lost by waiting?
3. Compare accelerating, staging and pausing on strategic upside, funding risk, reversibility and the evidence each path would generate. What specific milestones or triggers would govern your choice?
4. What can the public cash, debt, capex and commitment figures establish about Solaris' financial flexibility? What cannot be calculated from them?
5. How should the company compare mobile generation with grid-connected distribution or managed bridge-to-grid services without assuming the offerings are interchangeable?

Sourced facts, calculations and assumptions

Reported facts are attributed to Solaris or the named competitor. Company non-GAAP measures remain identified as such. The case uses the Q3 2024 Form 10-Q and November 4 earnings release as the latest decision-time company disclosures.[2][4]

Derived from rounded company figures: 450 MW divided by 535 MW is approximately 84.1%. The difference is approximately 85 MW, or 15.9% of expected capacity. This does not prove that 85 MW was idle, uncommitted or immediately available.

Teaching assumptions: the three paths are constructed for analysis, and no incremental turbine price, customer contract, project margin, utilization forecast or financing source is assumed. Students should state any such assumptions and show how their conclusions change when they vary.

Sources

1. Solaris Oilfield Infrastructure, 2023 Form 10-K, customer concentration and contract risks, printed p. 17; cyclicalities, p. 23. [SEC filing](#).
2. Solaris, Q3 2024 earnings release, Nov. 4, 2024, lines 17-43, 59-90. [SEC exhibit](#).
3. Solaris, July 9, 2024 transaction materials, growth-capital investment and fleet delivery schedule. [SEC investor slides](#).
4. Solaris, Q3 2024 Form 10-Q, filed Nov. 7, 2024: balance sheet p. 2; debt pp. 20-22; capacity/capex p. 28; liquidity and commitments pp. 32-33. [SEC filing](#).
5. Enchanted Rock, May 16, 2024, [Bridge-to-Grid release](#); Aggreko, Aug. 20, 2024, [electrical-distribution announcement](#).