

NuScale Power Corporation NYSE:SMR

FQ3 2025 Earnings Call Transcripts

Thursday, November 6, 2025 10:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2025-			-FQ4 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	(0.14)	(1.85)	NM	(0.16)	(0.48)	NA
Revenue (mm)	11.01	8.24	▼ (25.16 %)	11.64	44.49	NA

Currency: USD
Consensus as of Nov-07-2025 3:07 PM GMT

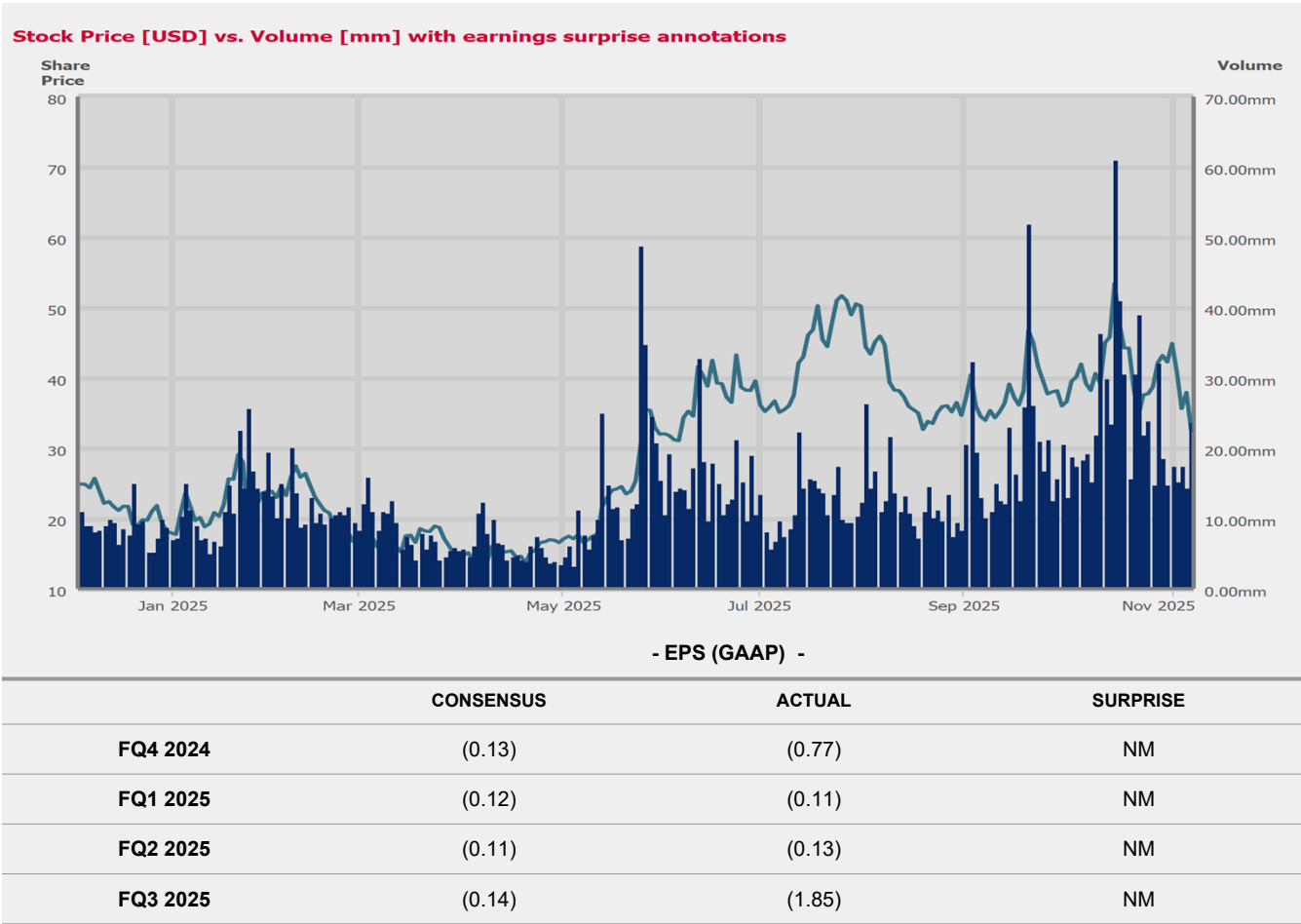


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Call Participants

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John Lawrence Hopkins

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Rodney McMahan

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Presentation

Operator

Good afternoon, and welcome to NuScale's Third Quarter 2025 Earnings Results Conference Call. Today's call is being recorded. A replay of today's conference call will be available and accessible on NuScale's Investor Relations website. The web replay will be available for 30 days following the earnings call.

At this time, for opening remarks, I would like to turn the call over to Rodney McMahan, Senior Director of Investor Relations. Please go ahead.

Rodney McMahan *Senior Director of Investor Relations*

Thank you, operator. Welcome to NuScale's Third Quarter 2025 Earnings Results Conference Call. With us today are John Hopkins, President and Chief Executive [Officer]; and Ramsey Hamady, Chief Financial Officer. On today's call, we will provide an update on our business and discuss our quarterly financial results. We will then open the phone lines for questions.

This afternoon, we posted a set of supplemental slides on our Investor Relations website. As reflected in the safe harbor statements on Slide 2, the information set forth in this presentation and discussed during the course of our remarks and the subsequent Q&A session includes forward-looking statements, which reflect our current views of existing trends and are subject to a variety of risks and uncertainties. You can find a discussion of our risk factors, which could contribute to differences in our expectations in our annual report on Form 10-K for the year ended December 31, 2024, and our quarterly reports on Form 10-Q and our subsequent SEC filings.

I'll now turn the call over to John Hopkins, NuScale's President and Chief Executive Officer.

John Lawrence Hopkins *President, CEO & Director*

Thank you, Rodney, and good afternoon, everyone. NuScale continues to be ahead of the competition as we remain the first and only small modular reactor technology provider to obtain design approval from the U.S. Nuclear Regulatory Commission, or NRC, making our technology ready for commercial deployment. The pipeline of potential off-takers for power generated by NuScale's technology is stronger than ever, and we believe we are nearing the realization of a commitment to deliver NuScale Power Modules at scale.

Now turning to Slide 3, we list NuScale's third quarter highlights, which we'll discuss in more detail in a moment. They included the recent Tennessee Valley Authority, or TVA and ENTRA1 Energy announcement on the deployment of up to 6 gigawatts of new nuclear capacity using NuScale technology, to continue work on Fluor's Phase II front-end engineering design or FEED 2 study for the RoPower Doicesti power plant and the critical strengthening of our cash position as we enter this vital stage of commercialization. We are excited about the significant momentum we have continued to build this quarter.

Turning to Slide 4. In September, our global strategic partner, ENTRA1 announced a landmark agreement with TVA to deploy new nuclear generation capacity powered by NuScale's SMR technology. This project marks the largest SMR deployment program in the U.S. history. It contemplates capacity of 6 gigawatts, which represents a total deployment of approximately 72 NuScale Power Modules and up to 6 ENTRA1 Energy plants in the TVA territory, which covers all of Tennessee; portions of Alabama, Mississippi, Kentucky, Georgia, North Carolina and Virginia. To put it in perspective, there is enough electricity to power the equivalent of the entire Dallas-Fort Worth metropolitan area. NuScale is excited to support the development of new nuclear generation capacity in the U.S. in partnership with ENTRA1 and TVA.

Additionally, just last week, the White House announced it will mobilize up to \$550 billion in public and private sector investment to expand critical energy infrastructure and strengthening supply chains under the newly signed U.S.-Japan framework agreement. As part of this initiative, ENTRA1 is positioned to receive up to \$25 billion in investment capital to develop a fleet of power plants utilizing baseload energy sources, the only developer that was included in this framework.

The program will serve fast-growing energy demand for AI data centers, advanced manufacturing and national defense, while creating thousands of high-quality American jobs and reinforcing U.S. energy independence. We anticipate the first ENTRA1 Energy plant to deliver power to TVA as early as 2030, with additional plants phased in as demand grows.

Before moving on, I want to take a moment to further highlight our relationship with ENTRA1. For over 3 years, we have been working with ENTRA1 on the deployment of our SMR technology. And with this historic TVA announcement as well as the U.S.-Japan framework agreement, our commercialization strategy is starting to resonate.

This is a pivotal time for the nuclear sector, driven by favorable regulatory policy and increasing power demand. As that demand for reliable, always on in carbon-free power grows, we believe our partnership with ENTRA1 enables off-takers to benefit from nuclear power without taking on plant ownership or operational risk. We believe that benefit, combined with our supply chain readiness and being the only company with NRC-approved SMR designs in modules currently in production uniquely positions NuScale to meet this important moment.

In conjunction with the TVA and ENTRA1 announcement, we entered into a Partnership Milestone Agreement, or PMA, with ENTRA1 to accelerate the commercialization of our SMR technology as outlined in Slide 5. Under this agreement, NuScale will provide milestone-based payments to ENTRA1 as projects advance through key stages as outlined here.

As it relates to the PMA, Milestone 1 was met on September 2, 2025, when the agreement was announced. Ramsey will discuss this milestone later in the call, but I want to take a moment to explain a little bit more about the milestone payment structure.

These payments reflect project costs that NuScale would typically incur later in the process, such as development, project management and other services. By accelerating these payments, we are helping ENTRA1 reach key milestones more quickly, unlocking financing and speeding up construction. We believe this upfront commitment secures NuScale's technology as the foundation for the largest planned SMR program in U.S. history with a marquee energy off-taker in the form of TVA.

As we lay out Slide 6, established in the PMA was a strategic decision to catalyze commercialization, motivate our supply chain to invest, facilitate multiple projects and accelerate the deployment of NuScale's technology. Looking ahead, this model is designed to be repeatable and scalable. We will discuss specifics in a moment, but it's important to note that our PMA with ENTRA1 is a template for additional projects, both in the U.S. and globally. And since the TVA and ENTRA1 announcement, we collectively have seen a strong uptick in interest from other potential off-takers who want to deploy SMR solutions as well as from our supply chain partners eager to support the commercialization of our technology.

Turning to Slide 7. With the 77-megawatt uprate now successfully approved by the NRC, our regulatory license affair team has shifted its focus to the combined operating license application, or COLA, management process to ensure the effective commercial development and deployment of NuScale's SMR technology at multiple ENTRA1 power plants. For background, the COLA builds on the NRC approval NuScale already has, that is submitted by the customer, includes site-specific information. It is an integral step in bringing full-scale commercial nuclear power plants that will provide safe, scalable, reliable and carbon-free power to market.

We believe no company is more familiar with the licensing process for SMR technology, the NuScale. Not only do we have an in-depth technical knowledge of SMR plants, but we have over 10 years' experience successfully navigating regulatory licensing processes and proven pre-application NRC engagement strategies. We believe this expertise makes NuScale uniquely qualified to lead COLA development, and we are eager to take this next step towards deployment.

Moving to Slide 8. NuScale continues to work with Fluor to support RoPower's goal of developing and employing the first SMR power plant in Romania at Doicești, the site of a decommissioned coal-fired power plant. While the coal plant itself is now entirely removed, supporting infrastructure such as roads, switchyard and grid connection remain intact for repurposing as RoPower works towards deploying nuclear capacity.

The project continues to generate revenue and positive cash flow for NuScale in connection with the Fluor-led FEED 2 study. As this critical work on the RoPower project continues, we're also working with Fluor to obtain their input for a final investment decision expected in late 2026 or early 2027.

Before I hand it over to Ramsey, I want to take a minute to comment on the market tailwinds we see for NuScale. We all know the challenges and the opportunities facing the U.S. and global energy system. Demand for reliable, always-on electricity is increasing. And the key sectors of the U.S. economy is driving it, industries like data centers, AI, advanced manufacturing and critical infrastructure along with the broader electrification trend.

These sectors are expanding at a pace we have not seen before and may require power that simply cannot go offline. And NuScale is uniquely positioned to provide the power these industries seek by being the only technology approved to provide behind-the-meter power.

At the same time, the U.S. is focused on strengthening its energy independence, ensuring grid stability and supporting economic growth in regions that are attracting new investment in high-value jobs. Utilities and industry leaders are looking for solutions to deliver on reliability, scale and long-term value. We believe NuScale SMRs can deliver on these needs. The project involving NuScale, ENTRAI and TVA demonstrates this. And that is why it is so significant, not just for our company, but for the entire nuclear community. And NuScale as the leader in this space cannot be better positioned to meet other off-takers needs both in the U.S. and around the world.

Now over to Ramsey for the financial update.

Ramsey Hamady
Chief Financial Officer

Thank you, John, and hello, everyone. Our financial results are available in our filings. So my focus will be on explaining major line items, which can be found on Slide 9.

NuScale's overall liquidity has increased to \$753.8 million at September 30, 2025, versus \$489.9 million at June 30, 2025. This increase was driven by the sale of 13.2 million NuScale Class A shares through an at-the-market program during the third quarter, which generated \$475.2 million in gross proceeds. Partially offsetting this increase was \$128.5 million payment in relation to the PMA milestone triggered by the recent landmark agreement announced by TVA and ENTRAI.

NuScale reported revenue of \$8.2 million for the quarter ended September 30, 2025, compared to \$0.5 million during the same period in the prior year. This increase was primarily driven by fees received for services we have provided for during the quarter in support of the RoPower project.

I will conclude my remarks with a brief overview of our capitalization summary as shown on Slide 10 and an overview of the recent agreement between Fluor and NuScale, which allows a structured, orderly monetization of Fluor's investment in NuScale via open market transactions and subject to certain agreed-upon restrictions.

Under the terms of the agreement, Fluor may convert all its NuScale Class B units into Class A common stock through a controlled program intended to preserve the fair value of NuScale's equity during the process. In exchange, Fluor has agreed to support NuScale's planned increase in its authorized share count, significantly reduce Fluor's economic rights under the tax receivables agreement and waive certain claims asserted under its commercial agreements with NuScale.

With that, I'd like to thank you again for joining today and for your continued support of NuScale. We'll now take questions. Operator?

Question and Answer

Operator

[Operator Instructions] Your first question comes from Derek Soderberg with Cantor Fitzgerald.

Drew Tyler Nordquist

Cantor Fitzgerald & Co., Research Division

This is Drew Nordquist on for Derek. I have two questions. First is regarding your supply chain. I saw that Doosan signed an agreement to deliver 4 Westinghouse AP100s for a different company. I'm just wondering how that's going to impact your ability to secure supply?

John Lawrence Hopkins

President, CEO & Director

No, we've -- our relationship with Doosan as we communicate almost every other day, the Doosan has come out and publicly stated they have the current capacity of producing 20 NuScale Power Modules per year and looking to expand that as needed. So they have a huge facility. So it's not just limited to NuScale, but we have -- the focus that they have on the NuScale modules is dedicated to NuScale.

Drew Tyler Nordquist

Cantor Fitzgerald & Co., Research Division

And then you briefly mentioned the U.S. and Japan agreement. Can you just go into a little bit further detail on that and how it affects you guys?

Ramsey Hamady

Chief Financial Officer

Sure. Look, I think what we can surmise from that, which is an absolutely incredible achievement with ENTRA1 is that we were named, we were the sole group that was named. NuScale and ENTRA1 Energy was the sole group named under Power Development for AI.

And so this is really a historic time. The agreement between Japan and the U.S. is extraordinary. It certainly shows support from a long-standing strategic partner of NuScale. As you'll recall, we have great support from JBIC, Chubu, JGC and IHI, and to be named specifically and solely in this one area, really shows that -- I think it's really a testament to the connectivity and importance of our technology, both to Japan as a manufacturing partner as well as potentially a customer and to America and our stakes for clean power to drive AI. So this was a tremendous accomplishment really.

I think a tremendous accomplishment, if I can say, to the ENTRA1 group. And look at the other names that were named here, SoftBank, GE, Hewitt, Bechtel, Westinghouse, name it, Toshiba, Hitachi, these are -- Mitsubishi even. These are the biggest names in technology, these are big names in power. And for us and ENTRA1 to be named inclusive in that group, it's really an extraordinary achievement. I'm glad you brought that up.

John Lawrence Hopkins

President, CEO & Director

Yes. And I'd like just to add and to reiterate -- I'd like to add and reiterate what was stated. I mean ENTRA1 was the only developer mentioned. And ENTRA1, they're looking to develop a fleet of power plants utilizing baseload energy sources. And so the program will serve for fast-growing demand for AI data centers, as Ramsey alluded to, but also national defense and manufacturing. So we were quite excited about being mentioned in that group of companies.

Ramsey Hamady

Chief Financial Officer

I'm going to further add one other point. I think as people -- a lot of people would ask early on who's ENTRA1, where are the capacities, what is their connectivity. And I think this past quarter, both with this agreement with Japan as well as the announcement in relation to TVA that I'm sure will be asked about, we'll speak about later in this call. I think we've shown the markets. We've shown everyone just how far this combination of ENTRA1 and NuScale can take us.

And so this is, again, like -- I think the details are still emerging of this, but really Japan is an accomplishment. We're super proud and we're grateful to be including in this.

Operator

Your next question comes from the line of Eric Stine with Craig-Hallum.

Eric Stine

Craig-Hallum Capital Group LLC, Research Division

Can we just start with the TVA setup you've got? I mean, just to be clear, because I've taken some questions and it's clear that some people are a bit confused by it, but we should view this as this is a very critical step towards getting to your goal, which is a firm agreement by the end of 2025. This isn't necessarily that step, but it is a great indicator that you've kind of got all of the pieces in place, and now it's about getting that PPA signed. Is that right?

John Lawrence Hopkins

President, CEO & Director

Yes, that's correct. I mean -- I'm sorry, go ahead, Ramsey.

Ramsey Hamady

Chief Financial Officer

No, go ahead, John, please.

John Lawrence Hopkins

President, CEO & Director

No, no. I mean, this just didn't happen overnight. It was a long-term, almost a year between TVA and ENTRA1 coming to terms of the term sheet. And to your point, what we're excited about for NuScale, this represents 72 potential modules and multiple sites with ENTRA1. So we are excited about it. And TVA also being a government entity, although they're -- they operate like a privately -- or public company, having the government's stature behind it, I think it's going to be a good thing.

So ENTRA1 is already in the process right now of hopefully finalizing these PPAs. And then these things, it becomes very real. I don't know if Clayton's on the phone. Clayton, who's our Chief Commercial Officer, who's been intimate and working through this process. Are you on Clayton?

Clayton Scott

Chief Commercial Officer

Yes, John. I'm on. Thanks. And yes, this is something that, as John stated, we've been working for quite some time and it's an exciting opportunity. And like ENTRA1 is getting ready to move this forward, and we'll be prepared to support the path and bring this to fruition.

Eric Stine

Craig-Hallum Capital Group LLC, Research Division

Got it. Very exciting, no doubt. So we'll stay tuned on that. And then maybe just on the agreement that you announced today with Fluor, just on the monetization. In there, you talked about waiving certain -- I'm trying to look -- waiving certain claims related to commitments. Can you just talk -- I mean, does that change at all or signal something on Fluor's commitment? Is it unchanged? Or is that maybe opening it up that you can work with Fluor and you can work with others?

Ramsey Hamady

Chief Financial Officer

Eric, I'm going to take your question and use it as a step buyer to talk more broadly about the agreement. So I think it just came out, and I think it requires some clarity here. Like take up 2 ideas. The first is there's a natural maturation of NuScale. Essentially, we're a technology company. We don't develop projects. ENTRA1 is a project developer. They're exclusive commercial partners, our strategic partner. And Fluor is an EPC company.

I think strategically, for an EPC company to have such a heavy investment, pure tech company, it may not align fully with the EPC company shareholders. And is the actual maturation for Fluor's investments. They've been investing for a very long time. NuScale has grown significantly at some point. I think we're north of 80% or 90% of the market cap, I believe.

And look, we're all market savvy here. Like we understand that different investors have different objectives. NuScale investors have seen like a 15x return since our lows over the past 2 years. Amazing. An EPC investor doesn't necessarily look for that sort of risk-return profile.

So I think it's natural for Fluor just to see a maturity of their investment. Not a lot of support, not breaking the relationship. We made connectivity with Fluor. They're still -- we still provide engineering work to Fluor. Fluor still sits on the Board. ENTRAI still has had decades of experience with Fluor. So we just -- we designed a framework where Fluor will change to monetize in like a very deliberate, very orderly manner. We're working together. The program is structured to have minimal impact. Even Fluor is a shareholder. So we expect -- Fluor has decided as well as we have to have the minimal impact to the market.

And then the idea of like the reduction of economic rights is value delivered to our shareholders because there are economic rights under the B units and Fluor has agreed to give some of those up. So that's a win for us. And it certainly explains commercial agreements with NuScale. I think it just -- it is a release of certain obligations of NuScale in relation to some EPC work. But again, as we've evolved, we're not really developing projects. So it's just a logical outcome of this.

Operator

Your next question comes from Leanne Hayden with Canaccord Genuity.

Leanne Hayden

Canaccord Genuity Corp., Research Division

Just want to follow up on the ENTRAI-TVA agreement discussed prior. What you view as the gating factors to ENTRAI site evaluation or construction permit, NRC application?

John Lawrence Hopkins

President, CEO & Director

Clayton?

Clayton Scott

Chief Commercial Officer

Well, I think one of the -- yes, John. I think one of the benefits of working with ENTRAI and TVA is they clearly have a number of sites that have gone through previous preparation approvals and early site permits. So that falls in well with the strategy of focusing on Tier 1 sites to move forward. So I think the valuations that I've seen and participated with ENTRAI and TVA that we have a clear view on which sites make sense to progress. And the benefit is that TVA is well suited to support them.

Leanne Hayden

Canaccord Genuity Corp., Research Division

Okay. And to the extent that there are any limitations on your ability to raise incremental equity given the monetization agreement with Fluor, how do you anticipate needing ENTRAI milestone payments?

Ramsey Hamady

Chief Financial Officer

This is Ramsey. Look, I think as we demonstrated even during the quarter, we were able to raise a fair amount of cash from the markets, a sensible amount of cash, I should say. And ending the quarter at over \$750 million worth of cash. The restrictions that we put in terms of our ability to raise funds are in line with our budgeting and they're in line with our objectives to support shareholders and ensure that there's not selling pressure in the market that is acceptable or that -- or to distort market pricing. So we've taken a very careful consideration of what the milestone payments are when we anticipate to receive them -- or to pay them, pardon me, and are funding liquidity needs. There's been a lot of work that goes in behind that.

Operator

Your next question comes from Joseph Osha with Guggenheim Partners.

Joseph Amil Osha
Guggenheim Securities, LLC, Research Division

I was wondering if we could return to ENTRA1 a little bit. Obviously, Wadie Habboush and Robert Fardi are very well-connected guys, some digging there. But I'm trying to understand, has ENTRA1 ever built or owned or operated anything? And if they haven't, I guess, where are the boots on the ground going to come from? Because it looks, all respect due to these guys, they're very well connected. There are pictures of them with Trump and so forth. But I'm trying to understand where the actual operational capabilities and history of ENTRA1 are.

John Lawrence Hopkins
President, CEO & Director

Yes, I can start. They're an independent global energy company, and they have, to your point, over 45 years as Habboush Group, years of experience, delivering large-scale energy and infrastructure projects worldwide. In fact, part of the due diligence we went into the program was looking at their extensive knowledge of building coal-fired plants, combined cycle plants.

So they've had a lot of -- it's not -- it's a family name that is not well known in the industry, but they've had significant experience in building these plants globally. And you've been working pretty closely with them, Clayton, and part of -- you're part of that due diligence process, do you have anything else to add?

Clayton Scott
Chief Commercial Officer

I mean, they've built a lot of plants. They've also done a lot of large-scale infrastructure projects globally. They have the ability to ramp up and bring in significant partners. Their relationships are far and wide, not just from a political perspective, nor on the financial side. They're certainly tied in the infrastructure companies. And they had Cogentrix at one time, prior to them divesting it. So they have a lot of experience, in my opinion, as far as building infrastructure and ramping. So they've done a lot of diligence on the technical side and on the construction side, and we're quite confident that they will be ready to promote these plants and move them forward.

John Lawrence Hopkins
President, CEO & Director

Clayton, you made a good point. So...

Joseph Amil Osha
Guggenheim Securities, LLC, Research Division

Can I follow up here? It sounds to me like you're talking about Habboush Group, which is fine. There's no information about any projects on ENTRA1 that ENTRA1 has done at all. And if it's Habboush Group, that's fine. That's a big company, and they've done a lot, and that's great. Are you telling me that ENTRA1 has built and operated projects? And I guess it's still what because there's no information about any of them on their website.

Ramsey Hamady
Chief Financial Officer

Got it. Let me -- if I may. Yes, we are talking about the principles of ENTRA1 that have developed projects. All right. ENTRA1 is really set up. ENTRA1 was set up for the purpose ENTRA energy transition. That was the focus of the company. And so I would shy away from the idea that ENTRA1 hasn't developed, for example, an SMR project because nobody has. I'd shy away from the idea that ENTRA1 may not be able to build power plants because ENTRA1 doesn't pour concrete and they're not operating yellow trucks, right? ENTRA1 is hiring the biggest EPC companies and construction companies with experience in energy and infrastructure to do this work.

They're a developer. It's not like they're out there building the power plants. But I think we just -- we need to pause for a second, separate what's the value of ENTRA1 and their ability to coordinate projects, to bring in partners, to get deals and the partners they bring in that can execute and have executed on power plants in the U.S. and elsewhere. And that's really what we're talking about, guys.

Operator

Your next question comes from the line of Soundarya Iyer with B. Riley Securities.

Soundarya Vasudevan Iyer

B. Riley Securities, Inc., Research Division

I'm asking on behalf of Ryan Pfingst. So my first part would be like what's your confidence level that we see a binding agreement with TVA in the near term? And what has to be done for that to happen in the near term? And secondly, is TVA agreement is the main one that we are looking for as a firm order? Or is there a possibility that we could see some -- another agreement jumping in line?

Ramsey Hamady

Chief Financial Officer

Clayton, I'll let you handle this one.

Clayton Scott

Chief Commercial Officer

I think there's limited information we can provide on the details of where they are contractually. But we're very confident that things will move forward in a timely manner, and we're excited about it. And also, in addition to what they've announced with TVA, their pipeline is fairly robust, and we anticipate to see some other things coming in the near-term future. And some of that is probably aligned with some of the reasons I mentioned earlier around the Japan deal.

So we're confident that ENTRA1 will be moving forward with some other announcements. But regarding TVA, all we can really say is that they're trying to finalize their documents and agreements at this point.

John Lawrence Hopkins

President, CEO & Director

A few weeks ago, we had a -- it was at the combined Nuclear Energy Institute American Nuclear Society. There's about, I don't know, 1,600 people there. We were on stage with the CEO of TVA, Don Moul, myself and the CEO of ENTRA1. And we've kind of walked through the process of TVA and the CEO of TVA was very bullish on wanting to get nuclear. They're working with other companies, as you know. Bottom line, we're still the nearest term and there's -- a company that's near-term deployable. And we can -- and in fact, we are the only company that can do behind-the-meter. We've gone through the NRC process. So if you want to expedite and if this administration wants to move quickly, it's with NuScale.

Soundarya Vasudevan Iyer

B. Riley Securities, Inc., Research Division

Got it. Just to follow up on the financing question asked earlier. So once you hit the Milestone 2, could you give some color on your revenues to finance these payments, especially as they become greater in size? I think it's 35%.

Ramsey Hamady

Chief Financial Officer

Yes. Look, we have a number of avenues to finance the payments. We have cash on hand. We have capital markets activities. And it is our expectation that we'll have revenue for this action. And so I don't think we're very concerned about the ability to finance this. I think for us, it's more the idea -- look, the overriding idea is how we finance the partnership milestone agreement. That I think we can see a way to and people who follow us, who understand our movements in the market, who see our capacity to raise funds, understand that.

I think the important part of the partnership milestone agreement is that this is a catalyst. The money that we're investing here is a catalyst to commercialization. This is pushing projects forward. And so how we fund the PMA payments, well, it depends how many SMRs are in the PMA. It's 12 or it's 24. The maximum within that bucket before this moves to OEM is 24. Can we fund the 24? Yes, we can absolutely fund. We can fund them from our balance sheet today, if we wanted to.

Operator

Your next question comes from Dimple Gosai with Bank of America.

Dimple Gosai

BofA Securities, Research Division

Could you please help provide some clarity on how many of those 6 gigawatts under TVA are likely to reach a binding milestone under your partnership agreement? And what are the expected timing and economics for NuScale? And then the second part to that

is, have any payments being made today to recognize? And how do you envision recognizing revenue and cash from ENTRA1 milestones across 2026 to 2028?

Ramsey Hamady
Chief Financial Officer

Clayton, do you want to take the first part of that, I'll take second.

Clayton Scott
Chief Commercial Officer

I didn't understand -- I didn't catch the very first part.

Ramsey Hamady
Chief Financial Officer

How many of the 6 projects we -- do we hope to achieve with TVA and what time frame? I think the answer would be all 6.

Clayton Scott
Chief Commercial Officer

Yes. Correct.

Ramsey Hamady
Chief Financial Officer

Time frame, maybe you can provide some insight into what do you think of the development timeline?

Clayton Scott
Chief Commercial Officer

I think as we mentioned earlier in the call that we're looking at timeline as soon as 2030 for COD on the first plant and then a follow-up thereafter. But yes, the intention is to fulfill the full 6 gigawatts.

John Lawrence Hopkins
President, CEO & Director

Yes. And don't forget, we've already got 12 modules under production for the first plant, which is hopeful by the end of the decade, will it be COD, as Clayton said, that each of these plans or 12 module plants, which ultimately represents 72 modules to -- for our suppliers and us to bring to these sites. So right now, where our focus is to get the first one in the ground and running.

Clayton Scott
Chief Commercial Officer

And ENTRA1 is working on what that model layout is, and that's -- they'll reveal that to us at the appropriate time.

Ramsey Hamady
Chief Financial Officer

Yes. In terms of our accounting treatment, I think a precise explanation of how we have accounted for the first set of payments, so stage 1 of the PMA agreement, it's included in our 10-Q under our accounting policy, and there's more details about the PMA. And I think that's better for you to refer there. I will say that the expense as it shows up as an expense in our income statement.

PMA payment 2, TBD. I think our preference obviously is to capitalize rather than to expense, but that's TBD. We'll figure out when we get to the PPA and what several looks like we term what the appropriate account is.

I think on the third stage of the milestone payments, OEM. I think we're fairly certain there of our ability to capitalize those expenses, which will then be deducted from future revenues. But again, I would refer you to the Q to just take a look at our accounting policies, how we've analyzed the first PMA payments.

Operator

Your next question comes from the line of Brian Lee with Goldman Sachs.

Brian K. Lee

Goldman Sachs Group, Inc., Research Division

I know a lot of questions around this ENTRA1, TVA. So apologies in advance because I have a few more. So the agreement here is targeting 6 gigawatts. And it looks like based on the first milestone payment you made this quarter, you're targeting the full 6 gigawatts. As you mentioned during part of the call, TVA is looking at other options across the nuclear technology spectrum. I won't name the names, but it's been in the press. And so if TVA decided rather than doing 6 gigawatts, they want to do -- just throw a number out there, 1.5 gigawatts, 1 gigawatt with NuScale MPMs, do you get that money back from ENTRA1? Or does it roll over to another development? Like you're paying basically for 6 gigawatts on a nonbinding basis, but what happens if they never take that to fruition and get to PPA on the full 6 gigawatts?

Ramsey Hamady

Chief Financial Officer

Yes, Brian, it's a great question. So the payments would roll into the next project that those term sheets not materialize into a PPA agreement. So we -- it's not like it's money out the door, it's money gone. That money kind of stays in the system.

And I think another important concept here is that once we start the machine and once you have continued movement from term sheet to PPA to OEM, as we expect, as we commercialize, as we scale up, you'll start to see those payments kind of rolling through, and they'll become -- they'll almost become self-funding through projects because that's really what it is, Brian. This is -- it's like we develop technology. We manufacture an SMR. ENTRA1 is a wholesale distribution partner, and they place those SMR into projects. And so these PMA payments, these are all just baked into the business plans, baked into the economics. Really, this is a question of timing for us rather than a question of like absolute financial impact.

So by forwarding the timing of some of those payments, by forwarding that to ENTRA1, it allows them to commercialize faster, allows us to catalyze like this kind of this progress, this great momentum that we have. And ultimately -- and we say this firmly, we think this is the best interest of shareholders to push this forward.

Brian K. Lee

Goldman Sachs Group, Inc., Research Division

Yes. Understood. That makes sense. Second question I had was just Ramsey and Clayton, I think you guys have spent a lot of time on this call sort of talking about ENTRA1 and articulating why that's the right partner, the right approach to go to market? And then also on the financial terms, lots of commentary around how the payments work and having the funding in place to be able to satisfy the milestone payments all the way through PPA.

I guess the big question that we all have on our mind is when does NuScale get paid from ENTRA1? And I would presume it's at PPA. But if you get to PPA on the 6 gigawatts based on, again, you said it's in the Q, there's over \$3 billion of payments you will have paid to ENTRA1 over the course of all these milestone payments to get to PPA. So my simple question would be when you get to PPA and you get into an equipment agreement with them, do they -- do you anticipate you'll get \$3 billion on day 1 to pay that money back? Or is that a ratable sort of revenue rec over multiple years where you still don't accrue \$3 billion plus that you spent with ENTRA1 until a year, pick a number, T plus, I don't know.

But just can you give us a sense -- I understand the milestone payments, that's specified in very clear detail. How are you guys going to monetize this? And what's the time line for at least recapturing the \$3 billion plus you would have paid to ENTRA1 by that point in time?

Ramsey Hamady

Chief Financial Officer

Yes, Brian, I'll give you a partial answer, and then maybe Clayton can hop in as well. I think the example of getting 6 gigawatts worth of SMR orders immediately or within a very short period of time, aspirational, incredible probably not likely outcome, even just given supply chain and constrain our ability to deliver SMRs.

It's not to say that we don't expect to get every single one of those and we hope to, that's not going to happen all at once. When we talk about the PMA payments, I think that we can discern between some of the early-stage PMA payments, like the term sheet and OEM -- excuse me, term sheet on PPA versus the OEM payment. I think on the OEM payment, that will be a net cash positive for NuScale because as money is out in relation to an OEM contract that we receive, -- the final stage of that PMA in relation to an SMR, we also received money for production.

So I would kind of cut in half what they anticipate the actual cash out because we can really net we anticipate getting a third also payment. So just to say, yes, like when you look at an overall scale, like do we pay out \$3 billion if we're going to be an order for 72? Probably not because we do think that there's gearing effect on the third payment. And we think that, well -- that orders will come in stages, Brian.

As I said, once that engine starts running, once we start moving projects through the pipeline, SMRs through the pipeline, those PMA payments will become self-funding. Is that make sense? Is that fair for you?

Brian K. Lee
Goldman Sachs Group, Inc., Research Division

Yes. No. I mean we're all searching for more details, but we'll take some of this offline.

Operator

Your next question comes from the line of Marc Bianchi with TD Cowen.

Marc Gregory Bianchi
TD Cowen, Research Division

I guess you kind of talked about this earlier and then mentioned it in the conversation just now with Brian, like the first projects that move towards this next milestone of a PPA, it wouldn't be the full 72, but maybe it's 12 or 24 modules. And first part is maybe just correct me if I'm understanding that incorrectly.

And then the real question is, how do you -- or how does ENTRA1 anticipate entering into a firm PPA agreement with TVA if the cost might be a bit of a moving target? How do they -- that's a kind of a classic challenge with all of these first-of-a-kind projects. So I'm just kind of curious how that's being addressed.

Ramsey Hamady
Chief Financial Officer

Clayton, I'll let you or John take that one.

Clayton Scott
Chief Commercial Officer

Well, I have to be -- I think we have to be cautious. I mean I can I think the discussions around the PPA and the cost structure or the pricing structure, I think, is somewhat established. And I don't think they're going to get into a firm PPA unless that it resonates to allow them to move the project forward positively. So I don't think we can really go into details. But that's really not a part that would be of concern to me.

Marc Gregory Bianchi
TD Cowen, Research Division

Clayton, does that mean that there needs to be a long series of front-end engineering work to kind of clearly identify that cost to give certainty and comfort to TVA as an off-taker and to ENTRA1 who would be presumably taking the risk if there is a cost overrun?

Clayton Scott
Chief Commercial Officer

I think all of that is kind of factored into the final net number, on the cents per kilowatt. But I think, yes, they're all contributory, but I think they've all been kind of identified from what I can understand.

Marc Gregory Bianchi
TD Cowen, Research Division

Got you. Okay. And then the other one I have was just on RoPower. So still looking for end of '26, early '27 for an FID. Are there going to be any interim updates on that project as the FEED study progresses? Is there anything that we can look out for on the horizon that would be an intermediate uptick?

John Lawrence Hopkins
President, CEO & Director

Yes. We talked to RoPower, Marc, almost once a week. In fact, I was just talking with the CEO of Nuclearelectrica who RoPower comes under. So -- as you remember, we're a subcontractor to Fluor on this. We're doing a FEED Phase 2 right now. They're paying us. We got our licensing payment. They look at FTP, final notice to proceed towards end of 2026, 2027. So we'll definitely keep you updated as this project goes along quarter-by-quarter.

But right now, to your point, I mean, we're not -- as I stated before, we're getting paid and it's been a good project. It's -- Romania is very aggressively trying to establish their own Central Eastern European manufacturing hub SMR. So we're hopeful they're successful. They have they have their own regulator. They were into the nuclear with Cernavoda, with CANDU reactors. So it's not that they're unfamiliar. It's hopefully -- we're hoping to get the funding necessary to carry it on to the final phases of the projects.

Marc Gregory Bianchi
TD Cowen, Research Division

Yes. Yes. Okay. And just one more real quick to go back to the ENTRA1 arrangement and TVA. So the \$500 million or \$495 million that's going for this first milestone, you guys talked a little bit about it in the prepared remarks, I think, about sort of giving supply chain certainty and stuff. But that's a lot of dollars. Could you maybe go through a little bit more about what ENTRA1 is going to use that money for and kind of how it helps move the project forward.

Ramsey Hamady
Chief Financial Officer

Sure. I can answer that. I think the short answer is that ENTRA1 pushes that money into project development. I don't have a source and uses to share, but we know that ENTRA1 has pushed forward with this term sheet. There's 6 projects to develop. There are sites that have been named. There's early work to be done. So a lot of that just goes into catalyzing the commercialization of our technology. We thought -- yes, we're not say there -- and we're not saying there and kind of taking like a fine-tooth comb to the spend, except that the spend is towards projects at stores development of our projects. And I think this is the most critical thing for NuScale is to forward these, right?

We know that ENTRA1 has done a lot of work here. They put a lot of effort into these projects. They continue to put a lot of effort. First dollars in are very difficult and very challenging to get. And this is supporting of the commercialization. I think that's -- you've developed more nuclear plants than I have. So you probably can articulate how worthy development looks like better than I can on this one.

John Lawrence Hopkins
President, CEO & Director

I think you stated it well. I mean there's 6 projects, up to 6 projects, and there's a lot of there's a lot of front-end work that needs to be done. So it's all catalyze and move this forward.

Operator

Your next question comes from Vikram Bagri with Citi.

Vikram Bagri
Citigroup Inc., Research Division

I wanted to follow up with a few questions asked previously. Obviously, aware of the principals at ENTRA1 and they're standing in the industry, but the entity itself is new and appears that the entity does not have much in terms of assets as of yet. And as you're aware, nuclear deals are complex. So if for any reason this deal doesn't go forward or so to say, this plays devil's advocate, corporate marriage ends up in diverse, how do you protect your interest? The payment you're making is quite substantial, \$500 million. Are there any safeguards in place to protect your interest if things don't go as planned? Is there anything in place to sort of like safeguard or protect that payment there?

Ramsey Hamady
Chief Financial Officer

Yes. Look, I'll tell you -- yes. Are there safeguards? Absolutely. The money that we put up now for the term sheets in relation to TVA were rolled to other term sheets for other projects so TVA somehow disappear, right? But I still struggle, and I guess the market continues to struggle with this idea of who ENTRA1 is and what they've done, right? There was so much questioning about the ENTRA1 team, about the principles of ENTRA1, the backing of ENTRA1. And now they come out and they signed a term sheet for 6 gigawatts, 5.5 gigawatts of power with TVA, with the U.S. government, and we're still getting the same questions.

And then they go and they secure with the Japanese, they secure a place and it's tremendous, this landmark Japanese investment into the U.S. We were the sole group, TVA -- sorry, ENTRA1 and NuScale. We're the sole group that was named under this, right? That's one. Number two, if you look at the joint fact sheet, number two, power development for AI, NuScale and ENTRA1 Energy. At what point -- I'm asking our analyst group collectively, at what point do you stop doubting this partner?

TVA, 6 gigawatts, the term sheet signed. A place with the Japanese government named for investment. Let's come back to reality guys. We picked a partner. We take an amazing partner. The partner has delivered and is delivering. And yet we're still questioning what if. We're committed to the partner. The partner has done a great job. I think we need to recognize that.

Vikram Bagri
Citigroup Inc., Research Division

Sure, obviously. I mean, I'm asking because it's just good corporate practice to protect your interest and put safeguards in place, but I get the point. The second question I have is, I was wondering like you had -- you're targeting a deal by year-end. Does this deal with TVA meet that commitment to sort of like deliver by year-end? Or should we look out for something else?

Ramsey Hamady
Chief Financial Officer

John, Clayton, I'll let you guys answer that.

Clayton Scott
Chief Commercial Officer

I didn't hear the part of the question. It was muffled.

Vikram Bagri
Citigroup Inc., Research Division

I was asking you were targeting a deal by year-end. Does the deal announcement with TVA meet that commitment? Or should we look out for another deal by year-end?

Clayton Scott
Chief Commercial Officer

Okay. So I think we're still looking at the construct of the deal when it gets signed and how that contributes to our classification of a deal by the end of the year, and we're kind of working through that right now.

Operator

Your last question comes from the line of Moses Sutton with BNP Paribas.

Joseph Ernest Nussbaum
BNP Paribas, Research Division

This is Joe Nussbaum on for Moses. Within the PMA agreement, we see a 5% annual escalator on new milestone payments. And in our math, that increases the all-in payment per project from 600 kilowatt up to 1,200 kilowatt by 2040, while it may be premature to think that far out. Can you confirm this escalator point? And how do you weigh it against pricing your modules? Will you keep pricing stable near term to maybe incentivize module orders? Or should we assume you increased ASPs in tandem with milestone payments?

Ramsey Hamady
Chief Financial Officer

I'll weigh in. Clayton, you can as well. Yes, I think projecting out to 2040 is probably a bit of a long projection in relation to where we're selling modules for. I think the escalation is like it's an inflationary plus is the escalation. Where we see the cost of production of modules, I think would be the right question because as we're looking at margins. For us, we believe that the cost of production is going to go down as we go from first of a kind to producing, in the case of TVA, potentially up to 72 modules, but really much more.

So we view this as kind of a very positive idea where we break down our costs while we have an escalator to our pricing. And we're always going to keep pricing in line with what is necessary to be commercially competitive in the market, but this is a great deal for NuScale, right? We all know we've gone from first of a kind to end of a kind, we bring down production costs. Our manufacturing gets better. It gets more efficient. We optimize the supply chain. So I think that was a big win for us.

Operator

And with no further questions in queue, I would like to turn the conference back over to John Hopkins for closing remarks.

John Lawrence Hopkins
President, CEO & Director

Thank you. I apologize, I'm losing my voice here. But A lot of good questions today. A lot of speculation of how this is going to get done. I think Ramsey made a good point. It just was an arbitrary that TVA picked ENTRA1, NuScale in the 6 gigawatt potential. It wasn't just hit or miss in the Japanese framework, \$25 billion was allocated for a developer that we're working with and our exclusive partner ENTRA1. And again, we're excited about this. Not only for us, we're excited about the whole industry in general in terms of -- you see the market signals in what's happening. Demand pull is there. So we're excited about it.

This next quarter, hopefully, we'll have a lot more to report. And I am proof is in the pudding guy. And I can tell you there's a lot of effort and work that's gone into where we are today. So we're excited about the future. We believe we have the right partners, the right model and collective expertise. And my team and I certainly believe that we're ready to deliver and continue to lead in this market. So I really would like to thank you all for participating today. And until next time, thank you very much.

Operator

This concludes today's conference call. You may now disconnect. Thank you.

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