

Target Hospitality Corp.

Third Quarter 2025 Earnings Conference Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Target Hospitality Third Quarter 2025 Earnings Call. At this time, all lines are in listen-only mode, and following the presentation we will conduct a question-and-answer session. If at any time during this call you require immediate assistance, please press star zero for the operator. This call is being recorded on Thursday, November 6, 2025.

I would now like to turn the call over to Mr. Mark Schuck. Please go ahead.

Mark Schuck — Senior Vice President, Investor Relations & Financial Planning, Target Hospitality Corp.

Thank you. Good morning, everyone, and welcome to Target Hospitality's third quarter 2025 earnings call. The press release we issued this morning outlining our third quarter results can be found in the investor section of our website. In addition, a replay of this call will be archived on our website for a limited time.

Please note the cautionary language regarding forward-looking statements contained in the press release. This same language applies to statements made on today's conference call. This call will contain time-sensitive information as well as forward-looking statements, which are only accurate as of today, November 6, 2025. Target Hospitality expressly disclaims any obligation to update or amend the information contained in this conference call to reflect events or circumstances that may arise after today's date, except as required by applicable law. For a complete list of risks and uncertainties that may affect future performance, please refer to Target Hospitality's periodic filings with the SEC.

We will discuss non-GAAP financial measures on today's call. Please refer to the tables in our earnings release posted in the investors section of our website to find a reconciliation of non-GAAP financial measures referenced in today's call and their corresponding GAAP measures.

Leading the call today will be Brad Archer, President and Chief Executive Officer, followed by Jason Vlastic, Chief Financial Officer and Chief Accounting Officer. After their prepared remarks, we will open the call for questions.

I'll now like to turn the call over to our Chief Executive Officer, Brad Archer.

Brad Archer — President & Chief Executive Officer, Target Hospitality Corp.

Thanks, Mark. Good morning, everyone, and thank you for joining us on the call today.

We continue to build on the progress we've made in advancing our strategic growth initiatives, which focus on expanding and diversifying Target's business portfolio. This focus has led to notable operational achievements for 2025, including multiple long-term contract awards across various end markets. Since the second quarter, we have added over \$55 million in committed revenue contracts, bringing the total value of new multi-year contract awards announced in 2025 to more than \$455 million. These contracts accomplish multiple elements of our growth objectives by strengthening Target's business portfolio and expanding our reach in new end markets.

Target's ability to deliver highly-customized solutions that meet specific customer needs highlights our unique value proposition and has opened new growth opportunities in rapidly expanding markets. Strong long-term growth trends and sustained momentum reinforce these opportunities,

including the multi-trillion-dollar investment cycle in data center and AI infrastructure, power generation, and critical mineral development. These strengthening market fundamentals have laid the groundwork for a robust and expanding growth pipeline, offering distinct opportunities to continue advancing our strategic growth initiatives.

Turning to our segments and specific growth opportunities, our HFS segment continues to support our world-class customers, evolving labor allocation needs by delivering premium services through our extensive network. Target's unique vertically integrated operating model, combined with the scale and efficiencies of our HFS network, allow us to support our customers throughout business cycles. Additionally, these attributes continue to support customer renewal rates exceeding 90% with the average existing customer relationship exceeding five years. This proven operating model is key to Target's success and has served as a blueprint for potential new customers, illustrating the benefit and distinct value propositions of our vertically integrated accommodations platform.

These distinctive capabilities and highly-customizable solutions have supported multiple contract awards in our WHS segment this year. In February, we announced the Workforce Hub Contract to support the development of critical minerals in Nevada. Construction began. This contract has been expanded several times to support community improvement and contract modifications, resulting in a 19% increase from the original contract value. These enhancements highlight the importance of this community to the project's success and demonstrate how Target's operating capabilities enable us to deliver tailored solutions that meet specific customer needs.

These unique capabilities and customizable solutions supported the data center community contract we announced in August. We have completed the initial construction mobilization of the 250-bed community and initial occupancy is beginning to increase. As a reminder, this community has the potential to expand and accommodate up to 1,500 individuals, a sixfold increase from the initial community. Our customers' growth plans are accelerating, driven by rapidly growing demand for AI infrastructure. As a result, we are finalizing the first community expansion to keep pace with anticipated customer activity levels. We expect this expansion to add several hundred rooms to the community and plan to provide additional details soon.

With increasing demand for AI infrastructure, the pace of data center development and capital investment is accelerating. To meet this demand, estimates suggest that over \$7 trillion in global capital investment will be required over the next five years. As large-scale data center infrastructure becomes increasingly remote, a significant challenge in expanding these projects is attracting and retaining the skilled labor essential to their success. Target's unique capabilities in creating highly-customized, all-inclusive communities address this challenge and provide integrated solutions for our customer-specific needs.

Aligned with these attributes, Target recently launched its Target Hyper/Scale brand, highlighting our ability to provide a central hospitality solution supporting multiple facets of the data center value chain. This focused initiative showcases Target's unique ability to build communities that enable quick time to market solutions that can rapidly scale alongside customers' dynamic workforce housing needs. These factors have created the most significant commercial growth pipeline we have ever seen. Our reputation as the leading provider of remote hospitality solutions uniquely positions Target to support

this rapidly expanding end market demand. We are excited about these growth opportunities, which we believe establish a vital long-term commercial vertical capable of accelerating Target's strategic growth objectives.

Now moving to the government segment, we completed the planned ramp-up of our Dilley, Texas assets in September and the community is now fully operational and capable of supporting up to 2,400 individuals. The successful reopening of this facility highlights the importance of our decision to keep this community ready to reopen alongside our partner. We continue to actively remarket our West Texas asset and remain confident in this community's ability to provide a vital solution aligned with the government's policy goals to expand available bed capacity.

In summary, we have made significant progress toward our strategic goals by expanding and diversifying in Target's business portfolio. We are encouraged by the strongest and most active growth pipeline we have ever seen, supported by solid market fundamentals and long-term growth trends. We are well positioned as we pursue these opportunities, which offer multiple pathways to expand our business portfolio and continue advancing our strategic objectives.

I will now hand the call over to Jason to discuss our financial results in more detail.

Jason Vlachich — Chief Financial Officer & Chief Accounting Officer, Target Hospitality Corp.

Thank you, Brad.

Third quarter total revenue was approximately \$99 million with adjusted EBITDA of approximately \$22 million. Our government segment generated approximately \$24 million in revenue

during the quarter. The declines compared to the previous year were mainly due to the termination of the PCC Contract partially offset by the reactivation of our Dilley, Texas assets. Additionally, revenue for the quarter included approximately \$11.8 million in reimbursements for certain close-out costs related to the PCC Contract termination. We do not expect any further payments related to the PCC Contract in future periods.

We completed the planned ramp-up of the Dilley community in September and it is now fully operational. As a result, subsequent quarters will reflect revenue contributions aligned with the entire 2,400-bed community. As a reminder, this contract is based on fixed monthly revenue regardless of occupancy. It is projected to generate approximately \$30 million in revenue in 2025 with over \$246 million over its expected five-year term. Excluding the impact of the PCC Contract close-out payment, we anticipate increased contributions from the government segment in the coming quarters following completion of the Dilley ramp-up.

Regarding our West Texas assets, as a reminder, we have decided to keep these assets in a ready state while actively remarketing them. This approach, similar to our strategy with the Dilley assets, will involve carrying costs of approximately \$2 million to \$3 million per quarter until a new contract is potentially awarded.

Turning to our HFS and All Other segments, these segments generated approximately \$39 million in quarterly revenue. Target's customers continue to value our premium service offerings and extensive network scale. These qualities, combined with Target's operational efficiencies, enable us to provide

unmatched solutions across our network in a competitive market. Additionally, we remain focused on finding opportunities to improve margin contribution while meeting customer demand.

Moving on to the expanding Workforce Hospitality Solutions segment, or WHS, this segment, which includes our Workforce Hub Contract and the data center contract, generated approximately \$37 million in revenue in the third quarter, primarily from construction activity related to the Workforce Hub Contract. As announced today, the importance of the Workforce Hub Contract led to additional modifications and scope expansion during the third quarter. The increased scope of the contract raises the total contract value to approximately \$166 million, reflecting a 19% increase from the original contract value. These community improvements will lead to more construction activity, which we expect to be substantially completed by the end of 2025; however, this will shift some previously forecasted services revenue into 2026 and slightly impact margins as construction revenue has a lower contribution profile. As we finish construction, we expect increased services revenue to begin in 2026 and continue through 2027. The scope expansion and contract modifications highlight our ability to deliver customized and tailored solutions for our customers, creating long-term revenue streams that support large-scale remote operations.

Regarding the data center contract, we are pleased with the progress of this community and have completed the construction and mobilization of the initial 250-bed facility. As a reminder, this contract is expected to generate approximately \$43 million in committed minimum revenue over its initial term through September 2027 with approximately \$5 million of revenue in 2025. As we discussed, we are finalizing the first community expansion to support our customer's growing demand. This

expansion will have limited impacts in 2025 but will increase revenue in future years. We plan to share additional details once the expansion terms are finalized.

Recurring corporate expenses for the quarter were approximately \$11 million. As a matter of practice, we continually look for opportunities to optimize our cost structure and enhance margin contributions.

Total capital spending for the quarter was approximately \$29 million with net capital spending of approximately \$15 million. Net capital spending reflects the up-front customer payments we received for the construction and mobilization of the initial 250-bed data center community.

Target's strong business fundamentals and durable operating model supported robust cash conversion, resulting in over \$68 million of cash flows from operations and \$61 million of discretionary cash flow for the nine months ended September 30, 2025. These fundamentals are reflected in the strength of our balance sheet and our ability to maintain significant financial flexibility through prudent capital management.

We ended the quarter with \$30 million in cash and zero net debt, resulting in total available liquidity of approximately \$205 million. This strong liquidity position further enhances our financial flexibility and positions Target to continue executing its strategic growth initiatives. This momentum and positive operating environment support our reaffirmed 2025 outlook, which includes total revenue of \$310 million to \$320 million and adjusted EBITDA of \$50 million to \$60 million.

Target is well positioned, with a flexible operating model and an optimized balance sheet, as we continue to evaluate a robust growth pipeline, which we believe offers the greatest opportunity to accelerate value creation for our shareholders. Most importantly, as we pursue these opportunities, we will remain focused on maintaining the strong financial profile we've built while maximizing margin contribution through our efficient operating structure.

With that, I will hand it back to Brad for closing remarks.

Brad Archer — President & Chief Executive Officer, Target Hospitality Corp.

Thanks, Jason.

We continue to make significant progress on our strategic growth initiatives to expand and diversify our business portfolio. This year we have announced long-term contracts within our existing segment and expanded our reach into new end markets, supporting the unprecedented surge in AI infrastructure and critical mineral investment. These achievements have led to over \$455 million in new multi-year contracts in 2025. Additionally, we are in advanced discussions on other opportunities to further expand our contract portfolio, supporting AI infrastructure development. We remain focused on maintaining this momentum as we evaluate the strongest and most active growth pipeline we have ever seen, driven primarily by the extraordinary increase in data center and AI infrastructure investment.

As market fundamentals and demand strengthen, we are actively exploring opportunities encompassing over 15,000 beds, underscoring the depth of demand in this end market. Target's unique capabilities position us to become an essential partner, providing critical solutions vital to the success of

this rapidly expanding marketplace. We're excited about these opportunities and believe they offer multiple ways to further our strategic goals and accelerate value creation for our shareholders.

Thank you for joining us on the call today, and once again, we appreciate your interest in Target Hospitality. We will now open the call for questions.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the star followed by the one on your touchtone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press the star followed by the two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment please for your first question.

And your first question comes from Scott Schneeberger from Oppenheimer. Please go ahead.

Scott Schneeberger — Analyst, Oppenheimer

Thank you. Good morning, everyone. I guess first question would be on repurposing of the Pecos West Texas assets. Could you give us an update, please, on what you're hearing with government customers? And if there are other customers with whom you are speaking, please share perhaps some insight, to the extent you would, on the potential repurposing of that asset. Thanks.

Brad Archer — President & Chief Executive Officer, Target Hospitality Corp.

Good morning, Scott. This is Brad. Let me just touch quickly on the government and then give you some color around the assets kind of in West Texas. But really, on the government, there's no new developments from our last call. We continue to have active dialogue with the government on the West Texas assets. Look, we believe these assets provide a solution aligned with the government's objective and their sentiments have not changed around the use of this equipment.

With that said, let me touch on the Permian Basin, as you suggested, and really West Texas in general, as we are in discussions on several large data center projects as well as the large-scale power projects that would energize them. Several projects in that area have been announced already and we expect several more to make final investment decisions very soon with others in the pipeline that we're talking to. The capital spend in this area will be large, it's very big, and it will require many thousands of skilled workers coming into these areas. I say all of this to tell you there is no other company in our industry that is better positioned to take advantage of this unprecedented spend we're beginning to see in West Texas. The opportunity set in West Texas maximizes our chances to put underutilized or idle assets back on lease for long-term projects.

And look, I would tell you, I have very little doubt the majority of the growth you will see in West Texas will come from data centers and the large-scale power projects that are required to energize them. This doesn't mean that we will not try to take care of the government as well, but as you are well aware, and we've talked about this many times over the years, our assets can be repurposed across many industries, and fortunately for us today, it's a good problem to have, there are multiple paths to

maximizing our assets and utilization other than just the government, right, and that pipeline continues to build. And again, fortunately, a lot of this work sets right in the Permian Basin.

Scott Schneeberger — Analyst, Oppenheimer

Great. Thanks, Brad. Appreciate that. Following up on that, a question for you and then probably one for Jason thematically on that segue. The Target Hyper/Scale brand, could you speak to what you're doing there as far as kind of putting a brand on your initiative there, how you're going forth with that marketing approach? Brad, that would be for you.

And then, Jason, just on that theme, could you please speak to just the revenue and EBITDA run rate in the third quarter, what's expected for fourth quarter on the data center contract, and maybe how you think about that run rate in 2026? Thanks, guys.

Brad Archer — President & Chief Executive Officer, Target Hospitality Corp.

Scott, let me take the Target Hyper/Scale kind of question and why we did it. Look, the unprecedented capital spend in this industry, just across the U.S. and not just Texas, we feel requires a more focused and dedicated approach. We've spent two years really researching this opportunity, the markets. We've hired several new people that are dedicated to this effort, that have a background in the data center world. And just based on the scale of the opportunity that's in front of us and that we see really long term, we thought it was right to really have its own brand and focus there on the hyperscalers, the GCs that are there. This is a different group that are now being forced to move remote, right? A lot of these, over the years, have built in big cities. Most of them now are being built remote. So

the education there takes time, because they've never had to use facilities like us that they're being forced to look at today. So again, we think that branding fits within that and who you're dealing with is different than we've ever dealt with in the past. So we think that branding, it's been well received by our customers and potential customers and we think that'll continue to be the case.

Jason Vlacich —Chief Financial Officer & Chief Accounting Officer, Target Hospitality Corp.

And I think on the second question regarding the, I think you said the data center contract run rates and revenue and adjusted EBITDA, so we anticipate, on that contract, to recognize about \$5 million of revenue this year. I would say from a run rate standpoint it's more forward looking beyond this year. Approximately, I would say, the balance of that contract, which is \$43 million less the \$5 million, will be relatively evenly split between 2026 and 2027. The margin profile on that is very similar to Dilley, because it's a lease and services agreement where we own the assets and we operate them, and it's exclusively for one customer. As a matter of fact, a lot of the opportunities that we're looking at in our pipeline are very similar to that type of a margin profile that we're experiencing at Dilley.

Now Dilley, from a run rate standpoint, you'll see will come to life in Q4, but essentially it's approximately \$50 million a year on the full 2,400-bed community at a margin profile very similar to the previous contract.

Scott Schneeberger — Analyst, Oppenheimer

Great. Thank you both.

Operator

Thank you. And your next question comes from Greg Gibas. Please go ahead.

Greg Gibas — Analyst, Northland Securities

Great. Good morning, Brad and Jason. Thanks for taking the questions. Congrats on the results. I wanted to ask how maybe does your existing data center community contract compare to the other opportunities you're in advanced discussions with? From, I guess, a high level, how would you say it kind of stacks up to the relative scope and size of the opportunities that you're seeing?

Brad Archer — President & Chief Executive Officer, Target Hospitality Corp.

Yeah. And just to kind of across the board I would tell you the scope of these are, on an average well above 1,000 rooms that we're looking at if you're talking size, right? They go into these areas for five, six, seven, eight years, they continue to scale up. It doesn't start at like 1,000. It's very similar to how we're building this first contract, you know, 250, and then we're looking to continually increase that. This next increase, we think, will be several hundred beds, right, followed on by more increases until they reach capacity on the construction side. And then it kind of levels out for quite a while on that. But that's very similar, the buildup.

Now look, some of these are a little smaller and some of them are much bigger, it just depends on what they're doing. What we're seeing today is a lot of not only are we dealing with the data center piece, we're dealing with the power piece as well, which just adds more of a need for rooms, right?

Greg Gibas — Analyst, Northland Securities

Got it. That's helpful. Appreciate that. And maybe for Jason, to dive into kind of the implications of guidance, could you maybe speak to the quarter-to-quarter dynamics or expectations implied there? You already mentioned the data center contract and \$5 million expected this year, but anything else as I think about Q4 versus Q3 from a modeling perspective?

Jason Vlacich —Chief Financial Officer & Chief Accounting Officer, Target Hospitality Corp.

Yeah, I think Q4 you're going to see the full ramp up for the Dilley contract, right, which, as I said, is annualized \$50 million a year in revenue, approximately 40% to 50% margin is what you could anticipate there, divide it up in a quarterly amount for Q4. The item that you're not going to see recur is the \$11.8 million that we recognized for the PCC close-out payment. That's kind of the biggest delta between Q3 and Q4 is going to be that, combined with now we're fully ramped up on Dilley, and I think everything else will be relatively steady state.

Greg Gibas — Analyst, Northland Securities

Great. That's helpful. And if I could, I wanted to ask, given you were named on that \$10 billion, WEXMAC DOD award, wondering if there's anything you could share related to, I guess, how you could serve their efforts and then maybe what level of capacity you're positioned to provide.

Jason Vlacich —Chief Financial Officer & Chief Accounting Officer, Target Hospitality Corp.

Could you repeat that again? We didn't quite get all of that.

Greg Gibas — Analyst, Northland Securities

Yeah, sorry. Just given you were named on that \$10 billion WEXMAC DOD award, wondering if there's anything you could share related to how you can serve their efforts and maybe what level of capacity you're positioned to provide.

Brad Archer — President & Chief Executive Officer, Target Hospitality Corp.

Yeah, look, first, we don't know exactly what's going to come out on those bids, but we're positioned there, right? We're on the contract vehicle, which was the first step. We'll see what comes out. And if it works for us, we'll definitely go after it, right? If we have available assets or we can structure it another way, we will take a look at that, if it fits us. But we first wanted to get on the contract vehicle and then take a look at any bids that come from that.

Greg Gibas — Analyst, Northland Securities

Got it. Makes sense. Thanks, guys.

Operator

Thank you. And your next question comes from Rajiv Sharma. Please go ahead.

Rajiv Sharma — Analyst, Texas Capital Securities

Thank you. This is Raj.

Brad Archer — President & Chief Executive Officer, Target Hospitality Corp.

Hey, Raj. Good morning.

Rajiv Sharma — Analyst, Texas Capital Securities

Good morning. I wanted to ask about the workforce EBITDA. How much of a shift in EBITDA can we see, can we expect from this year to the next year? And also, could you talk about the community enhancements, the detail around that? Does that entail higher bed pricing or new service modules or client-funded CapEx?

Jason Vlacich — Chief Financial Officer & Chief Accounting Officer, Target Hospitality Corp.

Yeah, so I'll take the first one right off the bat. So the community enhancements are not going to increase the number of expected beds. We're still going to be around 2,000 beds, so it doesn't impact any of the economics around the services piece that will largely kick in beginning next year. It's strictly related to the construction. The majority of that we anticipate to be recognized this year as we hopefully have the construction substantially complete by the end of this year.

I'll stop there, see if there's any other follow up on that. Otherwise...

Rajiv Sharma — Analyst, Texas Capital Securities

Yeah. I'm sorry, go ahead. Yeah, no, I wanted to understand the community enhancements, what does it entail.

Jason Vlacich —Chief Financial Officer & Chief Accounting Officer, Target Hospitality Corp.

Well, it doesn't entail building out more beds. And it certainly doesn't increase the economics on the services piece. The services piece, which is the balance of the contract, that's roughly \$75 million or so that will start to kick in next year through 2027, I would look at that as relatively evenly split between the two years at a margin profile closer to 30% on the services piece going forward as opposed to the construction piece where our margin profile is closer to 20% to 25%.

Rajiv Sharma — Analyst, Texas Capital Securities

Got it. And then did I hear it right, so the Dilley facility is fully ramped now? 2,400 beds? And the ramp of steady-state utilization, that is happening in Q4.

Jason Vlacich —Chief Financial Officer & Chief Accounting Officer, Target Hospitality Corp.

That's correct.

Rajiv Sharma — Analyst, Texas Capital Securities

And you would...

Jason Vlacich — Chief Financial Officer & Chief Accounting Officer, Target Hospitality Corp.

Yeah, so, towards the tail end...

Rajiv Sharma — Analyst, Texas Capital Securities

[Inaudible]

Jason Vlachich — Chief Financial Officer & Chief Accounting Officer, Target Hospitality Corp.

So we completed the ramp up at the beginning of September and you'll see the full quarterly economics on the 2,400 beds in Q4.

Rajiv Sharma — Analyst, Texas Capital Securities

Right. Thank you for that. And then just on the Pecos, the PCC, any active RFPs or renewal discussions you are engaged in that could replace or supplement that?

Brad Archer — President & Chief Executive Officer, Target Hospitality Corp.

As I mentioned earlier on the call, lots of activity in the Permian Basin, West Texas, right, so we have multiple paths there to utilize that equipment other than just the government on that, for all of our equipment. And look, to be clear, we're already utilizing some of our existing assets for the first data center and we expect to use more of those assets in the future.

We've always been very good, look, first we're going to utilize our existing assets, right? We want to drive utilization and put those back to work. So that's our first look all the time and we've been very good about that and we'll continue to do that.

Rajiv Sharma — Analyst, Texas Capital Securities

Okay. Great. Thanks. And then just lastly, can you elaborate on the Target, the Hyper/Scale? How does that differentiate from the core workforce and what type of clients or geographies are you targeting first?

Brad Archer — President & Chief Executive Officer, Target Hospitality Corp.

And again, lots of focus on the data center, right, huge spend. We brought in some, if you will, specialists, folks that have worked in the data center business for many years as well, so we built a team up around this. We thought it needed more focus. It's starting to prove that that's a good decision for us. It's been well received in the industry.

When you talk about the client, a lot of the clients that we're talking to today have never been where they've needed, where they work remote, if you will. And now they realize, hey, we're working remote, we need this. It's a bigger education process. It is a little bit different of a customer as well than, if you will, the oil and gas or your industrial customer or your mining customer. They've just never done this. So it's more about, I wouldn't say a different type of quality, kind of that works across all industries, but it's definitely a bigger education process. And it is a little bit different customer set than we've ever dealt with in the past, in a good way, right? They're very receptive. They want to take care of their employees like our other customers do. And the great thing is they've got great counterparties on the other side of these contracts that we're working on and their goal is to get this done on time, right, so they don't mind, again, spending the money, getting the rooms close to a location, and it's all about safety and kind of de-risking their project for them.

Mark Schuck — Senior Vice President, Investor Relations & Financial Planning, Target Hospitality Corp.

Yeah, hey, Raj. This is Mark. Just to kind of put a fine point on it, I think you asked too if there was any differentiation around the Hyper/Scale brand, and look, to be clear, it fits squarely in Target's core competencies. As Brad described, it is just really an intentional focus on the customers and the applications that Brad described.

Brad Archer — President & Chief Executive Officer, Target Hospitality Corp.

Yes, buildings are the same, right? Like our same fleet that is being used for HFS can be used for the data centers as well and we're doing that today. So that doesn't change, to Mark's point.

Rajiv Sharma — Analyst, Texas Capital Securities

Got it. Thank you. Thank you so much for taking my questions. Congratulations.

Operator

Thank you. As a reminder, if you wish to ask a question, please press star one. And your next question comes from Stephen Gengaro. Please go ahead.

Stephen Gengaro — Analyst, Stifel

Thanks. Good morning, everybody.

Brad Archer — President & Chief Executive Officer, Target Hospitality Corp.

Good morning.

Stephen Gengaro — Analyst, Stifel

So a couple for me, and I'm sorry if I missed any of this, I missed the beginning of the call, but I think going into next year there's about 6,000 idle beds. I think that's roughly the right number. Can you talk about, given what's going on with the government shutdown and the potential timing for new awards, can you talk about any color on kind of the timing on some of these contracts, both within the government and outside the government, and how they may come together as we start thinking about how 2026 starts to unfold?

Jason Vlacich — Chief Financial Officer & Chief Accounting Officer, Target Hospitality Corp.

Well, I would just say on the beds, we have about 8,000 available beds going into next year, right? We've utilized some of those to build out the initial 250-bed data center community. In terms of timing, very difficult to nail down exact timing, but in terms of the data center opportunities, we're already in advanced discussions on expanding that contract. As a reminder, we said at the forefront of the call and also in our announcement, the land base can accommodate up to 1,500 beds. That's obviously going to be driven by customer demand, but again, we're already in advanced discussions on increasing that bed count from 250 to several hundred more in terms of the opportunities.

I would say the pipeline, and Brad can certainly elaborate, it's growing in the area of data centers. The government we talked about, the opportunity set there. There's still a high degree of

interest. The West Texas assets are still on the acquisition list for the government. Obviously, the administrative process is something you can't exactly nail down from a timing standpoint in terms of approvals and when a contract award might come, but we are keeping those assets in a ready state, we continue to incur the cost to do that of \$2 million to \$3 million a quarter, because there continues to be a high degree of interest, but the timing is a little difficult to nail down.

Brad Archer — President & Chief Executive Officer, Target Hospitality Corp.

Hey, Stephen, if you missed the first part of the call, one thing I talked about on another question was just, you know, there's multiple paths here for us to maximize our assets and utilization other than the government in the Permian Basin. While we still expect to take care of the government and they're very interested in this facility, the demand, as you know, covering the Permian, is increasing a lot, right, for data centers and the large-scale power projects. Several have been announced. Several more in FID that we think gets announced soon. Some that we have NDAs signed with that haven't been announced that we think comes along as well. So we think we sit in a really good spot, especially in the Permian and West Texas in general, to increase utilization throughout our units that are sitting idle or underutilized. So again, it's not a one-legged stool here just on government. I think fortunately for us, we sit in a really great position to act upon some of these projects.

Stephen Gengaro — Analyst, Stifel

Thanks. So, when we think about like the availability of your capacity and when we think about the data center growth and what's going on in some of the critical minerals side and obviously the

government, is there any urgency from any of those customer bases as it pertains to a concern about lack of capacity if they don't contract assets in the near term?

Brad Archer — President & Chief Executive Officer, Target Hospitality Corp.

100%. When you look at how, we'll just say, the data centers are built, you know, you'll see one large one being built and then pretty quickly behind that they cluster around each other, right? So they definitely get there's a lack of qualified skills out there, whether that's electric or that's mechanical or whatever, and they're fighting a lot of times for that same person, right? So they get signing on equipment quicker than the next guy, because there's limited capacity out there. Right? It can help de-risk their project. But the answer is absolutely, yes. And look, that fear, if you will, is well founded on their part, there's not a lot of excess capacity out there, and every day there's new projects that are being announced, which just continue to increase that.

Stephen Gengaro — Analyst, Stifel

That's helpful. Because I hear clearly on the power gen side and I was just curious if that urgency had sort of filtered down to take your business from at least part of the customer base.

Brad Archer — President & Chief Executive Officer, Target Hospitality Corp.

Absolutely.

Stephen Gengaro — Analyst, Stifel

Great. And then just the final question I had was the economics of the different pieces, it sounds like the data center side from our prior conversations is kind of pretty similar to Dilley. Like should we expect kind of those similar type economics as other opportunities surface?

Jason Vlacich — Chief Financial Officer & Chief Accounting Officer, Target Hospitality Corp.

Yeah, I mean I would say a lot of the opportunities we're looking at in our pipeline have economics from a margin profile standpoint very similar to Dilley. A lot of these are take-or-pay assets that we own and will operate exclusively for the customer, so those economics will tend to be very similar to the Dilley economics.

Stephen Gengaro — Analyst, Stifel

Thanks. And actually, on that, I'm sorry, just one quick one, I think I know the answer to this, but on the longer-term deals, when you look at inflationary costs that we've seen, especially on things like food and labor, you are protected against a lot of that, I believe, in the contracts. Is that true?

Brad Archer — President & Chief Executive Officer, Target Hospitality Corp.

It varies. Right? In some on a go-forward we might have some type of cost increase across the years and then some we're pretty limited on that but we try to do that with the right type of operational efficiencies and we've been very good about that.

Stephen Gengaro — Analyst, Stifel

Great. Perfect. Thank you for all the details.

Operator

Thank you. There are no further questions at this time. Brad Archer, you may continue.

Brad Archer — President & Chief Executive Officer, Target Hospitality Corp.

Thanks to all of you for joining our call today and for your continued support of Target Hospitality. We look forward to speaking to all of you again in the new year. Operator, that will conclude our call for today.

Operator

Ladies and gentlemen, this does conclude today's conference call. Thank you very much for your participation. You may now disconnect. Have a great day.