

Target Hospitality Corp.

Fourth Quarter & Full Year 2025 Earnings Conference Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Target Hospitality Fourth Quarter and Full Year 2025 Earnings Call. At this time, all lines are in listen-only mode. 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 Wednesday, March 11, 2026.

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 Fourth Quarter and Full Year 2025 Earnings Call. The press release we issued this morning outlining our fourth quarter and full year results is available 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 this 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, March 11, 2026. 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. After their prepared remarks, we will open the call for questions.

I'll now 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 entered 2025 with a clear mandate to advance our strategic growth priorities, diversifying our contract portfolio and accelerating our transition into high-growth end markets. We made significant progress on these priorities and our disciplined execution resulted in the most successful period of contract awards in Target's history. Since February 2025, we have secured more than \$740 million in long-term contract awards across a broad range of end markets, including over \$495 million supported by our expanding WHS segment. This strong momentum is driven by an unprecedented capital investment cycle across AI infrastructure, critical minerals, and power generation development.

To capture this opportunity, we launched Target Hyper/Scale, demonstrating our ability to deliver highly-customized solutions through a vertically-integrated accommodations platform that scales with customer requirements. Our vertically-integrated capabilities, unmatched across the US, combined with accelerating end-market demand, have established a core strategic growth vertical for the Company. We believe Target is at an inflection point, supported by strong execution and an unprecedented pipeline of opportunities. Strengthening market fundamentals have laid the foundation for a robust and expanding pipeline of more than 20,000 beds, creating meaningful opportunities to continue advancing our strategic growth priorities.

Turning to our segments and accelerating momentum on key strategic growth opportunities, our HFS segment continues to support our world-class customers by meeting their evolving labor allocation needs through premium services delivered across our extensive network. Target's vertically-integrated operating model and network scale enable us to serve customers through all phases of the business cycle, reflected in customer renewal rates consistently above 90% and average customer relationships of more than five years.

Moving to the rapidly expanding WHS segment, our WHS segment continues to benefit from accelerating demand across large-scale AI infrastructure, critical minerals, and power generation projects. Target's vertically-integrated accommodations platform and scalable solutions are uniquely suited to support these increasingly remote infrastructure developments. These capabilities, supported by our differentiated service offerings, including Target Hyper/Scale, position us to meet rising demand in this high-growth sector.

Since February 2025, we have secured more than \$495 million in multi-year WHS awards, driving the reactivation of nearly 3,000 beds across our asset base and demonstrating the value of modular and highly customizable offerings. Our ability to deliver speed-to-market solutions and scale with customer needs has supported multiple expansions at our data center community, which has grown 320% from its initial 250-bed footprint in just a matter of months. Additionally, today's announcements of the West Texas Power Community and Pecos Power Community further underscore our ability to rapidly deploy assets to meet this accelerating end-market demand. Combined, these awards immediately reactivate more than 1,800 beds in Pecos, Texas and represent over \$150 million in multi-year contracts.

Across our WHS segment, we have reactivated nearly 3,000 beds in less than a year, supported by long-term committed revenue contracts across a diverse customer base. The successful reactivation of existing assets has reduced our remaining available inventory to approximately 3,000 to 4,000 beds, depending on customer-specific requirement, and highlights the extraordinary momentum of the current AI-driven capital investment cycle. As data center and power generation projects extend in more remote areas, the need for high-quality workforce accommodations has intensified and become essential to their success. Target's scale and fully-integrated solutions uniquely position us to help customers attract and retain skilled labor nationwide and has established Target as a trusted partner. These dynamics have created the largest commercial pipeline in our history, with active discussions representing more than 20,000 beds. The WHS segment has become a core strategic growth platform and a key driver of our strategic growth initiatives.

I will now hand the call over to Jason to discuss our financial results and 2026 outlook in more detail.

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

Thank you, Brad.

Fourth quarter total revenue was approximately \$90 million with adjusted EBITDA of approximately \$7 million. A meaningful portion of quarterly revenue was generated by construction services tied to the Workforce Hub Contract in our Workforce Hospitality Solutions, or WHS, segment. This lower-margin revenue stream combined with elevated initial operating and mobilization costs associated with recent WHS segment contract wins temporarily compressed margins. As the Workforce Hub Contract transitions to higher-margin, services-based revenue and our new WHS awards continue to scale through 2026, we expect consistent and sustained margin expansion.

Our HFS South and all other segments generated approximately \$36 million in quarterly revenue. Target's customers in these segments continue to value our premium service offerings and extensive network scale, which provides consistent hospitality solutions aligned with their labor allocation demands. While we experienced some moderation in our HFS South segment, this network continues to provide strategic value and reliable cash flows. Its stability supports our long-standing customer base and provides consistent cash generation to advance our growth initiatives and further strengthen our balance sheet.

Moving to the expanding WHS segment, this segment's fourth quarter results, which include our Workforce Hub Contract and the Data Center Community Contract, generated approximately \$40 million in revenue, primarily related to construction services activity associated with the Workforce Hub Contract. As we announced today, the importance of the Workforce Hub Contract led to additional

modifications and scope expansion during the fourth quarter. The increased scope of the contract raises the total contract value to approximately \$170 million, reflecting a 25% increase from the original contract value. With construction activity substantially complete, we anticipate the Workforce Hub Contract will support margin expansion through 2026 as the contract shifts to higher-margin, services-focused revenue.

Regarding the Data Center Community Contract, as we previously announced, the strong pace of customer development activity has supported two 400-bed expansions to this community. As a reminder, these expansions will be phased in 400-bed increments over the first half of 2026. The first 400-bed expansion is scheduled to be operational by April 2026, with the second 400-bed expansion scheduled to be operational in June of 2026. Following the completion of both expansions, the community will be capable of supporting over 1,000 individuals. In total, the Data Center Community Contract is expected to generate approximately \$134 million of committed minimum revenue over its initial term through May of 2028. Additionally, as the data center community expansions are completed, we anticipate enhanced margin contribution from this contract, as the community scale will allow us to capture greater efficiencies from our fully-integrated operating model and strong unit economics.

As we announced today, the accelerating industry activity across AI infrastructure and power generation development supported two new contract awards utilizing our existing West Texas assets. The West Texas Power Community contract is expected to generate approximately \$129 million of minimum committed revenue over its 47-month term beginning March 2026, supporting a community of up to 1,400 individuals and the Pecos Power Community which will support a community of up to 400 individuals while generating over \$23 million of minimum committed revenue over its 26-month term

beginning April 2026. In total, these contracts support the reactivation of over 1,800 beds with more than \$150 million of multi-year committed minimum revenue serving multiple customers in a project-dense region.

While the Pecos and West Texas contracts are centered on fixed minimum revenue commitments, there is an opportunity to capture additional variable revenue from incremental customer demand above the committed minimum. Importantly, the Pecos and West Texas contract awards leverage our existing assets and community locations, enabling immediate customer use with a combined capital investment of only \$4 million to \$8 million. These contracts are expected to be immediately margin accretive and demonstrate our ability to rapidly deploy existing assets to support customer demand.

Our Government segment generated approximately \$14 million of revenue during the quarter. The declines compared to the previous year were driven by the termination of the PCC contract, partially offset by the reactivation of our Dilley, Texas assets.

Corporate expenses were approximately \$18 million for the quarter, which includes a true-up to the 2025 short-term incentive plan to reflect the significant progress made on executing Target's strategic growth initiatives, including multiple fourth quarter contract awards. Our 2026 outlook also accounts for potential incentive payments that may be implemented this year. Total capital spending for the quarter was approximately \$16 million, focused on growth in our WHS segment, including the data center community expansions.

Target's strong business fundamentals and durable operating model supported strong cash conversion, resulting in over \$74 million of cash flows from operations and \$66 million of discretionary cash flow for the year ended December 31, 2025. These fundamentals are reflected in the strength of our balance sheet and our ability to maintain significant financial flexibility through prudent capital management. During 2025 we executed the largest commercial pivot in our history while maintaining a strong balance sheet and capital flexibility. We ended the quarter with zero net debt and total available liquidity of approximately \$183 million.

Target continues to advance its strategic growth initiatives focused on enhancing revenue visibility, supporting consistent cash flow, and strengthening margin contribution. This momentum and positive operating environment support our 2026 outlook, which includes total revenue of between \$320 million and \$330 million and adjusted EBITDA of between \$60 million and \$70 million with capital spending excluding acquisitions of between \$65 million and \$75 million.

As recent contract awards and community expansions come online and scale through 2026, we expect revenue and adjusted EBITDA to build steadily throughout the year. The additional operating scale and improved unit economics should support continued margin expansion through 2026 and into 2027. Together, these factors are expected to position us to exit the year with an annualized revenue run rate of more than \$360 million and adjusted EBITDA exceeding \$90 million. This strong momentum is driven by significant growth in our WHS segment, which is projected to become our largest operating segment by the end of 2026, contributing more than 40% of consolidated revenue based on current contract portfolio.

Target is well positioned, with a flexible operating model and an optimized balance sheet, as we continue to evaluate a robust growth pipeline focused on continued expansion of our WHS segment, which we believe offers the greatest opportunity to accelerate value creation for our shareholders. 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 made significant progress executing on our strategy in 2025, positioning Target to capitalize on powerful long-duration demand trends across AI infrastructure, power generation, and critical minerals. This strong execution drove more than \$740 million in new multi-year contracts, including over \$495 million within our rapidly expanding WHS segment. We are also engaged in advanced discussions on additional opportunities that reflect the accelerating development activity across AI and related power generation projects. These secular tailwinds are supported by a multitrillion dollar investment cycle to expand AI and data center infrastructure. Additionally, supporting this infrastructure development will require substantial growth in US power generation capacity with national energy consumption expected to double by 2030. Against this backdrop, we continue to evaluate the most active and robust growth pipeline in Target's history. With strengthening market fundamentals, we are actively pursuing opportunities representing more than 20,000 beds, highlighting the depth and durability of demand in this end market.

Target's unique capabilities, combined with strong execution, position us as a trusted provider in this rapidly expanding marketplace. With a deep pipeline, strong balance sheet, and a scalable, vertically-integrated platform, we are well positioned to drive sustained growth and long-term value. We are excited about the opportunities ahead and believe they will play a central role in advancing our strategic initiatives and delivering continued value 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 speaker phone, please lift the handset before pressing any keys. One moment please for your first question.

Your first question comes from Scott Schneeberger with Oppenheimer. Scott, please go ahead.

Daniel — Analyst, Oppenheimer & Co.

Good morning. It's Daniel on for Scott. Thank you for taking our questions and congratulations on the new contract wins.

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

Thanks so much. Appreciate it.

Daniel — Analyst, Oppenheimer & Co.

Starting off with the new contracts, could you please elaborate a little bit on the pipeline? I mean you still have some assets in West Texas, good to see you reactivated some of it, but could you please discuss the pipeline, the potential to reactivate the remaining West Texas assets and how we should think about the ripeness of that? Thank you.

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

Yeah, Daniel, this is Brad. Let me just give a high level on the pipeline. And we've said this many times over the past few quarters, but it continues to grow, right? It's the strongest, most actionable pipeline we've ever seen, as we mentioned, 20,000-plus bed opportunity. That's after we've removed almost, well, several thousand beds and we've added back to that, right, and it continues to grow. We've been alluding to this fact for several quarters, that our pipeline is getting stronger and more mature. But this started over a year ago. We started planting seeds with the customers in these projects, having negotiations, and now we're beginning to harvest, right, in the way of executing contracts, which is what you've seen in our release. And it's just funny, those happened both in one week. I don't expect that always to happen in the future like that, but what I would tell you is we do expect to keep stacking wins throughout 2026.

We've mentioned we're in advanced late-stage negotiations with multiple customers. I'm not going to get into details there, but it's a very healthy pipeline. And if you look at available fleet, that's absolutely being quoted within those 20,000 beds, right? We expect that to be taken at some point. And then we would look to, in the market, if there's available fleet to purchase. And we've secured line times at multiple factories as well. We have a great relationship with the manufacturing base out there. So at some point we would have to reach into that as well just by the supply and demand that's out there at this point.

Daniel — Analyst, Oppenheimer & Co.

Got it. Thank you. I think Jason mentioned earlier there's potential for variable revenue contribution. Could you please elaborate on that?

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

Yeah, absolutely. So that's related to the two new contracts that we announced today. So the over \$150 million of contract value is literally just a fixed minimum amount and within that there's a lease component, which is a relatively straight line, and then there's a built-in fixed minimum bed committed amount that is attached to a manning curve, so it's not exactly a straight line. And then on top of that there is a variable component attached to those contracts. So the all-in rate on the head and bed for those two new contracts is right around \$100 a night. So there's definitely potential for variable upside. None of that is built into our outlook. So our outlook is materially based on fixed minimum amounts.

Daniel — Analyst, Oppenheimer & Co.

Got it. Thank you. A final one for me. Any more color you can provide on how to think about the cadence as we move through this year and any unique modeling dynamics we should think about as it comes in the [inaudible]—?

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

Absolutely. So, with respect to our outlook and how that's going to trend, Q1 is going to be the low point as these contracts start to ramp up. Obviously, the two new ones that we announced are immediately accretive. One of those has already started. Another one is going to start in April. But, for example, the expanded data center community will ramp up kind of full force in Q3, Q2 and the Power Community Contract in Nevada will ramp up at the beginning of June, so you'll sort of see the full effects of that in Q3.

So I would say that's kind of how you would pace it, is Q1 is the low point and then it will continue to ramp up in Q2, much further in Q3 and Q4 until you get to that run rate that we announced on the call for everything that's been contracted, right? None of that includes the variable upside related to the two new contracts. So that over \$360 million of annual run rate revenue, over \$90 million of adjusted EBITDA on an annual basis, is all based on fixed minimum revenue commitments for everything that's been contracted and basically you'll see that come to fruition in Q4. And none of that, obviously, includes the upside related to the pipeline, right?

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

So, in short, I mean the low point is Q1 and it builds from there. Totally different by the end of the year, right? And not taking into account, like Jason said, any new projects or the upside on anything that we've signed.

Daniel — Analyst, Oppenheimer & Co.

Got it. Okay. Thank you, guys, and congratulations. I'll turn it over.

Operator

Thank you. Your next question comes from Stephen Gengaro with Stifel. Please go ahead.

Stephen Gengaro — Analyst, Stifel

Thank you. Good morning, everybody.

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

Good morning.

Stephen Gengaro — Analyst, Stifel

A couple things. The first, just to follow up on that point, and when you talk about the run rate exiting 2026, that is just based on announced contracts to date?

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

Absolutely. Yes.

Stephen Gengaro — Analyst, Stifel

Okay. And when you say run rate, do you mean December or fourth quarter? I don't want to get too granular, but is \$22 million sort of the EBITDA guide for 4Q or is that...?

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

Fourth quarter. Yes, it's Q4. Based on Q4.

Stephen Gengaro — Analyst, Stifel

Great. Thanks. The two other kind of higher-level questions, when you mentioned kind of the capacity you have in inventory of 3,000 to 4,000 beds and you've been talking to a lot of customers about opportunities, are you seeing urgency from the customers yet? Like is there any feedback you get or implications from customers that they're getting concerned about available capacity or is that still not a thing from their perspective yet?

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

Look, that is the fear, right? Not having the capacity for them, not having the amount of rooms. If you even just look at the contracts we just signed and you look at the 1,400 and the 400, those are existing beds, right, and they're paying to hold every one of those beds. The difference when you're

building it new, you have time to kind of, if you will, put in 250, then another 250, then another 250, very similar to our other project on the data center side. But the fear is there and it's real, right? I mean this pipeline we're talking about, this is not pie in the sky, it's an executable pipeline. Do we win it all? No. But they're real, they're funded, that's what's on this pipeline. So folks, especially when you look in these clusters where multiple data centers, multiple power plants, you look at the Permian Basin area, there's already a lack of rooms, if you will, and on top of that you're starting to add new power plants, new data centers. It's fear, but it's warranted, right? The supply and demand, I would just say, in a lot of those areas are very much in our favor.

Stephen Gengaro — Analyst, Stifel

Okay. That's helpful. And then the other quick question, the HFS South business, the oilfield had a sort of better than expected fourth quarter from kind of a completions perspective but your numbers were down a little bit. Is that just seasonality and noise? Like I'm sort of expecting that business to be kind of flattish 2026 versus 2025. Is that a reasonable starting point versus your guide?

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

Yeah, that's absolutely right. So built into our guidance is HFS basically steady state year over year from 2025 to 2026 and the fluctuations you see there are just moderate seasonality, normal course, not fluctuating outside of our expected ranges.

Stephen Gengaro — Analyst, Stifel

Okay, great. Thanks. I'll get back in the queue. Thank you for the color.

Operator

Your next question comes from Greg Gibas with Northland Securities. Please go ahead.

Greg Gibas — Analyst, Northland Securities

Great. Good morning, Brad, Jason. Thanks for taking the question. Congrats on the new contract wins.

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

Thank you.

Greg Gibas — Analyst, Northland Securities

I guess to follow up on what was just kind of discussed in terms of capacity and your remaining inventory, you mentioned 3,000 to 4,000 beds of remaining inventory. Wondering if you could maybe speak to rough plans on what you maybe intend to acquire just given the 20,000 or so active pipeline and I guess just the pricing you're seeing around it. And maybe once you put those 3,000 to 4,000 beds to use, how you would maybe think about how you would work into future contracts that require the acquisition of new capacity in a way. Like how would, I guess, that be reflected in those contracts?

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

I'll start off. Brad can certainly chime in on this. So, in terms of incremental beds above and beyond our inventory, first of all, all of that is going to be built into the economics of the contract. Many

of these contracts come with upfront capital requirements from the customer as well and a lot of their projects do phase over time, so that allows us to sort of be measured in our approach towards capital allocation to these growth projects.

And we also have multiple tools available. We've got secondary market purchase options that we've done in the past to secure more beds, project-level structures, again, as I said, contract terms that sort of bake in a lot of that upfront capital with it to meet our minimum return thresholds. So that's kind of how we would approach it and that's how we've approached it in the past. And we've already had advanced discussions with our suppliers, as Brad mentioned earlier.

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

Yeah, we have a very good relationship with suppliers across the US, right? So, capacity-wise, for us, we don't believe will be an issue. I would just kind of take you back to the data center project that we started last year, the way it built up over time Jason was talking about. We also got money down from the customer. So, on the finance side, that helps a lot.

And they're not, you know, all those beds aren't put in at one time. Even though that was quicker than what was anticipated, it still worked out, and then for the phases we got some money down and then we're able to bring in the buildings and set those up and get them performing for the customer, right? And we're still kind of in that mode of constructing that site and increasing the capacity. But on a true capacity from manufacturing, buying within the market, we feel pretty good about where we sit in that at this point.

Greg Gibas — Analyst, Northland Securities

That's great. Appreciate the color. And if I could just maybe more strategically, as I'm kind of following the developments on that Camp East Montana at Fort Bliss and nearby government facility, just given the strong demand you're seeing within the private sector, I guess I wanted to just kind of get a sense of are you even interested in pursuing those government-related opportunities at this point and kind of how you're thinking about that.

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

To be blunt, we're focused on growing the WHS segment, right, which we believe offers the greatest value creation opportunities. Right? Much more commercial when we're dealing with that, it's projects that are ready, it's much more predictable at this point, and that's where our focus is.

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

And I would just add to that, really strong contract structures and committed...

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

Yeah, the counterparty's great, and so...

Greg Gibas — Analyst, Northland Securities

Yes, makes complete sense. I appreciate that. And then I guess lastly, as it relates to the pipeline, appreciate the color you provided there. If you could characterize a little bit further, like I wanted to get

a sense, because I know that the previous data center contract, you know, nice to see the expansion there where it started at 250 beds and is now over 1,000 and ability to get up to 1,500. I guess I would just ask like, as it relates to that 20,000 pipeline or so, would you say that's maybe how things will be structured going forward with additional contracts and that starts small kind of continued expansion or would it perhaps be more so, you know, we just saw like the 1,400 with the power community. So I guess just curious like if you could speak to the relative size of those opportunities in that pipeline.

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

Yeah. I think size-wise, they range from smaller than 1,000 and much greater than 1,000. We're seeing some really large projects, right, and for long duration. So the range is big, right? And then as far as they build up, when they get bigger, it just takes longer to put them in, right? They want this first initial wave and then it builds up over time, very similar to what we've already shown the market, right? I think it would probably be a little bit longer than that on the build-up, so I think you have time to get them done, you just can't build everything that they're wanting all at once. Nor can they hire 4,000, 5,000, 3,000 people all at once. Remember, they are not the only company doing the hiring. In these clusters, we're looking at five and six of these data centers around a two-hour radius, if you will, on a drive, so they could be, literally in the same 12-month, 18-month period, hiring 30,000, 35,000 craftsmen in that area. And if there's one doing a Workforce Hub, the others are doing a Workforce Hub, right? So it takes time to get their own folks hired and it takes time for us to build out the project. So it kind of starts, if you will, very similar to what we've shown and then it continues to build up; however, the start could be bigger and the build-up could be longer as well, because again, we're seeing much bigger projects than 1,000 beds.

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

And on the 1,400, that was a reactivation, so obviously we're able to move really quickly on that, because we didn't have to move any beds, it was strategically located for the customer, et cetera.

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

Yeah, it was literally signed and it started billing a few days later.

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

Exactly.

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

So that's what was great about it.

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

Reactivations are always going to be quicker.

Greg Gibas — Analyst, Northland Securities

Makes sense. That's helpful. Thanks very much, guys.

Operator

You now have a question from Raj Sharma with Texas Capital Bank. Please go ahead.

Raj Sharma — Analyst, Texas Capital Securities

Thank you for taking my questions. Congratulations on the solid new wins. I wanted to understand the 20,000 beds, the pipeline exceeding. Can you give how much of this pipeline is, in the next couple of years, you think achievable versus the next five years? Can you give just some color on the cadence? And then I have some follow-on questions.

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

Yeah. So the cadence here would be within the next 12 to 24 months, all of that 20,000, right? And then what happens is, are we talking to some that's longer out? Yes. But it kind of, it doesn't make the pipeline at this point. They haven't been FID, they might not have the land, they might not have the power. But what we're talking about here is actionable within the next 12 to 24 months, some much sooner than that, I would say 1 to 24 months is how I would look at it.

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

Yeah, these are advanced-stage projects.

Raj Sharma — Analyst, Texas Capital Securities

Got it. And then as the Hyper/Scale, the data center, and the power generation sort of accelerates, are you seeing situations, I know that there was an earlier question on this too, are you seeing situations where workforce housing is becoming a bottleneck? And if so, is that giving you pricing power or longer durations when you negotiate these contracts?

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

Yeah, we are definitely seeing workforce housing becoming a critical component to getting their project done, right? They're using it as a competitive tool to attract the workforce, keep the workforce, retain the workforce, get more productive. So that's definitely working in our favor, right? When I talk supply and demand, that absolutely helps on maximizing your price.

Raj Sharma — Analyst, Texas Capital Securities

Got it. And then on the CapEx requirements, you've given a guide for this year. Is that to be assumed, is that \$65 million to \$75 million, if I'm correct?

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

That's right. It's \$65 million to \$75 million and much of that is growth CapEx tied to contracts that we've already executed. And incidentally, that range is materially aligned with what we spent last year.

Raj Sharma — Analyst, Texas Capital Securities

Got it. And do you expect that to continue for the next year as well given your pipeline? And also, could you talk about the cadence through the year and the financing of this CapEx?

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

Yeah. So the CapEx range that we gave does not require any real incremental financing above and beyond our current liquidity, so we're well positioned to execute on that. And obviously, any

incremental capital that would go above and beyond that would be related to pipeline wins. And then those would be built into the economics of those contracts. Obviously, we have multiple avenues to fund, including growing cash flows from operations. We've got the strongest balance sheet than we've ever had as a public company. The first year as a public company that we've exited the year with no debt and lots of capacity. But that being said, the contract structures will be built such that the economics will help fund our minimum return thresholds for sure and the CapEx requirement. So there could be incremental CapEx for incremental wins, but certainly nothing we anticipate for the stuff that we've already executed on.

Raj Sharma — Analyst, Texas Capital Securities

Got it. Thank you for that. And just lastly, on the Pecos facility, I just wanted to clarify the 8,000 idle beds. Any news on reactivating or contracting to the government on those?

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

Yeah, I would say a lot of those West Texas assets are very fungible and we can use them for multiple customers and a lot of them have been leased out on the new contract wins. And at this point we're really focused on growth in the WHS segment and the pipeline around that and that's where we see the most value added and the most accretive opportunities for our shareholder base.

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

Yeah. And let me just kind of put something in there as well. We've already talked about almost 3,000 beds out of that 8,000, right, so there's 3,000 to 4,000 left, just to get the math right. And then, to

your question, I would tell you, just to be more direct, as we look throughout 2026, I would expect those beds to be put in use under WHS, right? That's where the growth is at, that's where we're focused, that's where the capital is going to go, but I'm pretty confident that's where they go.

Raj Sharma — Analyst, Texas Capital Securities

Fantastic. Thank you for the color and the clarification. I'll take it off line. Again, congratulations on the wins.

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

Appreciate it. Thank you.

Operator

As a reminder, if you wish to ask a question, please press star one. You have another question from Stephen Gengaro with Stifel. Please go ahead.

Stephen Gengaro — Analyst, Stifel

Thanks and thanks for taking the follow up. So you have the 3,000 to 4,000 idle beds. When you listen to sort of the contracts you're involved with right now, when you exit 2026, would you be disappointed if the bulk of those beds were not under contract?

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

100%. And let me just give you a little thought on how we look at these beds. Again, when you look at supply and demand, and again, it's in our industry's favor at this point, right, the supply and demand balance, we're sitting with what we believe are some valuable assets, right, and we strategically want to place not all of them on one project. We would, right, but we think we have the ability and the pipeline to be strategic here. And as we said, these projects build up over time. So the thought is, can you use 500 to help win a project? Can you use 750 to help win a project? Can you use a 1,000? Well, you're not dropping them all in one, right, and you get multiple contracts out of it versus one. So strategically, that's how we're looking at it, but absolutely would be upset if we didn't have these out in 2026. Based on our pipeline, we've been in this market now going over a year, planting the seeds, as I said, things are starting to grow and we're starting to harvest, right? So we like where we sit in the market.

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

I'd say, based on the strength of the pipeline, we certainly anticipate these to be fully leased out in the short term.

Stephen Gengaro — Analyst, Stifel

Great. Thanks. That's what I thought, but it's better to hear it from you. The other quick one is, and I appreciate the kind of complexity of the network in the HFS segment and how that operates and gives you a competitive edge, are you at a spot in that business where you can't remove or mobilize

assets based on the network approach you take in that business or is there any idle capacity in HFS South that could be mobilized?

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

Yeah, there's a little bit. I would tell you we think we're pretty optimized in that area, especially West Texas. I would also tell you we have a great customer base there, right, with some really long-term, you know, 20-plus year customers that we're going to make sure we take care of. Sure, there's a lot of work in the Permian. We think we can take that business in other ways besides continuing to deplete the HFS side of it. But we will take every opportunity to high-grade those rates, high-grade those beds as needed while we still take care of the customer, right, that we've had for many, many years. But it's a great question.

Stephen Gengaro — Analyst, Stifel

Cool. No, thank you for all the details.

Operator

There are no further questions at this time, so I will now turn the call over to Brad Archer for closing remarks. Please continue.

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

Thank you. In closing, I just wanted to reiterate again that Target Hospitality is at an inflection point. The hyperscalers are making trillion-dollar investments in remote America. They need us to make

those investments work. There's no one else who does what we do at this scale in these locations. We're not an amenity. We're not a nice to have. These projects are remote and timelines are nonnegotiable. Workforce housing is as critical as the fiber in the ground. We also didn't stumble into \$740 million in contracts. We built the platform, proved the model, and the market needs us. The build-out on AI infrastructure, data centers, and power generation across this country is one of the most consequential investment cycles in American history that I've ever seen. That most have ever seen, right? The problems we've solved and are solving now are helping transform that infrastructure and, in doing so, it is fundamentally transforming Target Hospitality.

With that, I want to thank all of you who have joined us on our call today and for your continued support of Target Hospitality. Operator, that concludes our call for today.

Operator

Ladies and gentlemen, this concludes the conference call. Thank you for your participation. You may now disconnect.