FINAL TRANSCRIPT

Target Hospitality Corp.

Second Quarter 2026 Earnings Conference Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Target Hospitality Second Quarter 2026 Earnings Conference 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 *, 0 for the Operator.

This call is being recorded on Monday, August 10, 2026.

I would now like to turn the conference over to Mark Schuck, Senior Vice President of Finance and Investor Relations (sic) [Investor Relations & Financial Planning]. Please go ahead.

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

Thank you. Good morning, everyone, and welcome to Target Hospitality's second quarter 2026 earnings call.

The press release we issued this morning, outlining our second quarter 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 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, August 10, 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 Investor 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 Vlacich, 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 delivered a strong second quarter defined by disciplined execution on recent WHS contract awards and continued advancement of our growth pipeline. Our focus on converting commercial wins into operating results underscores the momentum driving Target's performance.

Since January 2026, we have secured over 9,000 contracted beds, representing more than $1.4 billion of multiyear contracts, supporting unprecedented growth in our WHS segment and reinforcing Target's role as a leading provider of essential mission-critical solutions for AI-driven data centre development and critical power generation expansion.

That commercial momentum is translating directly into operational execution, with average WHS utilized beds surpassing 4,000 during the second quarter. We're delivering on recent contract wins with our Target Hyper/Scale platform, improving operating capabilities support, accelerating customer demand.

We continue to see expanding opportunities across North America, with active discussions supporting a pipeline exceeding 20,000 beds. This breadth and durability of demand across our WHS end markets give us confidence in our ability to advance the largest commercial pipeline in our history, supported by a multi-trillion dollar long-term investment cycle.

Turning to our individual segments, our HFS-South segment continues to support world-class customers through an established network of communities across an expansive operating region. Target's reliable service delivery, network scale, and long-standing customer relationships consistently support an over-90 percent renewal rate, highlighting the value of our differentiated offering.

Moving to our Workforce Hospitality Solutions, or WHS segment, the unprecedented growth in our WHS segment reflects building commercial momentum, disciplined operational execution, and our intentional pivot toward high-value end markets. We continue to demonstrate the value of our Target Hyper/Scale platform and our scalable speed-to-market solutions, positioning Target to benefit from accelerating customer activity and long-term demand dynamics.

Importantly, as we mobilize a growing number of contracted beds across concurrent community development, our focus remains on execution, delivering the essential solutions our customers need to advance complex, time-sensitive projects. Together, accelerating end market demand, growing awareness of our mission-critical solutions, and our proven ability to execute continue to drive advanced discussion on additional large-scale community development.

Building on this momentum, we are finalizing multiple definitive agreements to establish large-scale workforce hubs supporting new customers' long-term AI data centre developments. As these customers face increasingly compressed development schedules, the urgency to secure workforce accommodations continues to grow, giving us confidence that we will see incremental contract awards in the coming quarters.

This expanding customer base and sustained commercial momentum further validates why customer choose Target: our proven ability to deliver scale, speed, customization, and proven execution through our differentiated Target Hyper/Scale offering.

These same capabilities are creating opportunities for incremental scope expansion within existing communities. As customers accelerate activity levels, they increasingly seek expanded solutions in fast-paced environments where reliability, flexibility, and speed are critical. As large-scale infrastructure developments grow more complex, remote, and time-sensitive, Target is uniquely positioned to meet this demand through a vertically integrated turnkey model that gives customers a single partner for their dynamic requirements.

These capabilities are supported by Target's multi-decade operational track record and full life-cycle model, expanding design and development through full-service operations. This integrated approach enables us to deliver essential solutions for customers, support local communities, and remain well positioned as demand continues to build.

Looking ahead, we continue to see expanding geographic opportunities across North America with active ongoing discussions supporting a pipeline exceeding 20,000 beds. As our presence across these end markets grow, we are confident in our ability to capitalize on accelerating demand, advance our strategic growth initiatives, and deliver durable long-term value.

I'll now turn the call over to Jason to discuss our financial results and 2026 outlook in more detail.

Jason Vlacich — Chief Financial Officer, Target Hospitality Corp.

Thank you, Brad.

Second quarter total revenue was approximately $86 million, with adjusted EBITDA of approximately $18 million, driven primarily by significant growth in our WHS segment.

This growth also strengthened year-to-date cash flows from operating activities, which exceeded $110 million and included more than $100 million of advance payments from customers tied to recent WHS segment contract awards. These payments underscore the strength of our contract fundamentals and the value customers place on our speed-to-market solution.

More broadly, our results reflect continued execution on recent contract awards, strong unit economics, and increasing operating leverage as communities ramp. This supported more than 700 basis points of adjusted EBITDA margin expansion compared to the first quarter. As these awards come online and communities continue to scale, we expect revenue and adjusted EBITDA to build further through 2026 and into 2027.

Turning to our individual segment performance. Our WHS segment generated approximately $36 million of quarterly revenue, a 142 percent increase over the prior year.

As several communities advanced through their ramp-up phases, and activity shifted from construction into full-service operations, average WHS segment utilized beds surpassed 4,000 during the quarter, further demonstrating the depth of our operational platform, the scalability of our business model, and our ability to execute multiple large-scale customer developments concurrently.

This operating momentum reflects accelerating demand across our WHS segment end markets and should translate into greater contribution as communities continue to scale. Supported by strong unit economics, growing operational efficiencies, and increased activity across recently announced, large, multiyear contract awards, our WHS segment is positioned to become Target's largest segment for full year 2026, contributing more than 50 percent of consolidated revenues, based on the current contracted portfolio.

Moving to our other operating segments, our HFS-South segment generated approximately $33 million in quarterly revenue. While the segment experienced some moderation, it continues to deliver strategic value through its established presence in high-activity regions and its long-standing customer relationships. We continue to evaluate opportunities to optimize this network while preserving flexibility to redeploy capacity towards high-return opportunities across our broader portfolio.

Our Government segment generated approximately $13 million in revenue during the quarter, driven by the reactivation of our Dilley, Texas assets. As we optimize certain Government segment assets to support recently announced WHS segment contract awards, we expect to incur approximately $5 million to $7 million of transitional costs over the next two quarters. These transitory costs will temporarily pressure Government segment margins, which is reflected in our 2026 outlook.

Recurring corporate expenses, excluding stock-based compensation and transaction expenses, were approximately $15 million for the quarter. As we advance Target's strategic initiatives, we remain focused on managing costs prudently while ensuring we have the resources needed to execute effectively. Our 2026 outlook reflects the recalibrated corporate expenses required to support this growth over the coming quarters.

Turning to capital management. Total capital spending for the quarter was approximately $132 million, as mobilization and construction activity began on multiple large community developments tied to recent WHS segment contract awards.

We ended the quarter with approximately $141 million in total available liquidity and a net leverage ratio of 0.6 times.

As previously announced, on July 24th, we replaced our $175 million revolving credit facility with a new $660 million credit facility, nearly quadrupling Target's committed borrowing capacity and meaningfully expanding the Company's banking relationships. This expanded capacity significantly enhances our financial flexibility and lowers our cost of capital, allowing us to execute on recent contract awards and capitalize on our robust multiyear growth pipeline.

Driven by the depth of our Target Hyper/Scale offerings and accelerating customer demand, we continue to identify opportunities to expand our value-added solutions and address specific customer challenges.

For example, we recently expanded our service offering for an existing customer by providing a temporary full-service workforce solution. This offering supports their ability to accelerate project development ahead of completing their customized multi-thousand-bed community. It further demonstrates how we tailor solutions to customers' unique requirements.

Together, our ability to deliver flexible, value-added solutions like this one, combined with growing contributions from recently announced WHS segment contracts, reflects the sustained operating momentum behind our increased 2026 outlook. This includes total revenue of $410 million to $420 million and adjusted EBITDA of $85 million to $95 million, with capital spending, excluding acquisitions, of $490 million to $510 million to fund our long-term growth.

As I mentioned earlier, a meaningful portion of this capital spending is supported by customer advance payments associated with recently awarded WHS segment contracts, supporting efficient capital deployment and maintaining strong financial flexibility.

As recent contract awards continue to scale, we expect revenue and adjusted EBITDA to build steadily through 2026, with additional operating leverage and improved unit economics supporting margin expansion into 2027.

Together, these factors position us to exit 2027 with annualized revenue exceeding $700 million and adjusted EBITDA above $260 million. Importantly, this projection is supported by our existing contract portfolio and does not assume contribution from our broader commercial pipeline.

As we deploy capital to achieve these near-term financial objectives, these investments will temporarily increase our net leverage. However, our committed contract portfolio, customer advance payments, and attractive unit economics are expected to support meaningful cash generation, particularly as communities continue to ramp. As a result, we expect leverage to decline as these communities open and anticipate exiting 2027 with net leverage well below 3 times, based on our current project schedule.

Target is well positioned, with a flexible operating model and strong financial profile, as we continue to evaluate our robust growth pipeline. Our focus remains on expanding the WHS segment, which we believe offers the greatest opportunity to accelerate value creation for our shareholders.

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

Thanks, Jason.

Our second quarter results reflect the strong execution that has defined Target's performance this year, as we translate commercial momentum into tangible operating results, finalize incremental contract awards, and advance our strategic growth pipeline. Since January, this discipline has delivered more than 9,000 contracted beds and over $1.4 billion in multiyear contract awards, reinforcing Target's position as a trusted mission-critical partner across our WHS end markets.

This momentum is underpinned by durable, long-term contracts that provide greater revenue and cash flow visibility. Combined with a well-capitalized balance sheet and significant financial flexibility, we are positioned to execute and fund an active pipeline of over 20,000 beds tied to power generation, AI-driven data centres, and other critical infrastructure projects across North America.

As industry adoption of our mission-critical workforce solutions continues to build, we anticipate incremental contract awards in the coming quarters. Together, our proven Target Hyper/Scale platform, disciplined capital allocation, and financial strength position us to capitalize on this multi-decade investment cycle and deliver sustainable long-term 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 *, followed by the 1 on your touch-tone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press *, followed by the 2. If you are using a speakerphone, please lift the handset before pressing any keys.

One moment, please, for your first question.

Your first question comes from Faiza Alwy with Deutsche Bank. Your line is now open.

Faiza Alwy — Deutsche Bank

Yes. Hi. Good morning. Thank you so much. I wanted to just ask about the revenue and EBITDA guidance increase first. The way I understand it is that you've had good execution, and you're benefitting from timing, potentially this year, but then you also talked about expansion at some of the existing projects, and you've raised the 2027 exit-year revenue and EBITDA. So just wanted to get a little bit more colour around what you're seeing, if it's one specific contract, or just any additional colour would be helpful.

Jason Vlacich

Yeah. Hi, Faiza. Thanks for the question. This is Jason, CFO. Appreciate you calling in.

So I would say, overall, what drove the outlook increase, both short term and long term, was essentially community enhancement, scope expansions from multiple customers, actually. I would say also just improved visibility, continued execution on our part.

And the contract awards are progressing quite well ahead of our expectations. Customers have, again, expanded scope in certain areas. Some of that is temporary. Some of that's longer term, which fed into the longer-term increase to our outlook. And then there's general operating efficiencies that are materializing faster than expected.

Brad Archer

Yeah. Maybe, let me just touch on incremental scope expansion just for a minute as well, Faiza.

As we bit off these massive workforce communities, our customers, the bottom line is they see the value we bring. We're bringing in a lot of staff in those areas. They're looking for us to do more. There's definitely a bigger portion of the wallet, if you will, the bigger portion of the spend, we think we can get more of. Right? So there's some incremental things that we already do, that we can do more of on the construction site, and not just a workforce hub. We think, over time, we continue to pick up some of that. And some of that's playing into what we're doing today on some of the guidance as well.

Faiza Alwy

Great. That's very helpful. Thank you. And then I wanted to ask about Dilley because there's been some speculation in the media and elsewhere around potential divestiture. So just curious, kind of, what you're hearing about that and sort of if you could comment on that at all.

Jason Vlacich

Yeah. So we're not going to comment on any kind of monetization of assets or potential monetization of assets. What we can say with respect to the Government segment is it's tied to a contract that is expected to go through 2030. And that facility has been operating since 2014 with the same customer, and we're focused on servicing that contract at this point.

But in terms of growth, we're not focused on growing the Government segment. Our capital is primarily focused on being deployed to grow the WHS segment because that's where the lion's share of the pipeline opportunities are at this point.

Faiza Alwy

Thank you. I appreciate it. And if I could just sneak one more in, you did raise your CapEx guide for the year. Could you talk to us a little bit about how you see the trend of operating cash flow this year?

Jason Vlacich

Yeah. So as you can see from our Q2 results—and cash flows are flowing in ahead of adjusted EBITDA and full economics on the contract. And that's driven by those advanced payments from customers that we talked about at the top of the call and alluded to on our last call as well. So cash flows this year are going to outpace adjusted EBITDA for this year as well.

And I would say, with respect to the CapEx, the majority of the CapEx spend is anticipated to happen this year, as evidenced by the outlook. And we increased that because of the community enhancements that the customers have requested. And so, I would anticipate a lot of the CapEx spend to decelerate quite significantly as we move through 2027. And that's, again, based on what we've contracted to date. That doesn't anticipate anything in our pipeline at this point in time.

Faiza Alwy

Great. Thank you so much.

Operator

Your next question comes from Scott Schneeberger with Oppenheimer. Your line is now open.

Scott Schneeberger — Oppenheimer

Thanks very much. I think, for the first one, I'd like to ask on the ripeness of the pipeline. Could you please speak to what you're seeing there?

And I guess a part B to this question is, what is it in your pipeline, kind of speaking historically? Who did you see, competitively? How many competitors, usually, are bidding against you? And if you're aware of that in your current pipeline, if you could just address it as well? Thank you.

Brad Archer

Yeah. Scott, just high level on this, pipeline for us continues to outperform our expectations as far as just the sheer numbers that we're seeing of beds being requested, bids that are coming in. Geography is also expanding outside of Texas, into the Rockies, the Midwest, and further. So number of beds, again, or number of requests, and then the growth in just the geography. Right?

I would tell you there's a growing industry adoption as these projects are going more remote. When you look at some of the pushback across the country on the data centres, the companies that maybe thought they didn't need our type of solution are now being—or they're looking at this much differently. They're coming to us earlier to help them on the community engagement piece. They're asking us to get involved early on, just like you've seen in Uinta County in Wyoming. Right? We've been working on that with that customer, shoulder to shoulder, for a while. So we think some of the things that Governor Abbott put out, right, are a positive for our business and will help strengthen this pipeline.

As far as competition, sure, there's several out there that are competing. Some are just competing for the services. And then some are saying they're a turnkey operator. Right? We'll buy the land, develop the facility, as we do. We've always seen competition on that. I would tell you it's not as great as what you might think, but there's definitely some competition out there. Most are regional players, some private equity-owned on that side. But I'm not going to call out names, but definitely some competition out there.

Scott Schneeberger

Thanks. And just on the guidance, kind of following up on a prior question, there's $30 million, and that was in there the last time you provided guidance of variable revenue. It was termed data centre hub contract last time. Now it's just referenced to the whole WHS segment. Could you speak if there's—is it still just that? And could you speak about what level above committed minimum? Just kind of curious how aggressive or conservative that is, looking out, if it has—if that includes others and is taken down within data centre hub. Thanks.

Jason Vlacich

Yeah. Sure, Scott. I'll take that one. So appreciate the question.

So in terms of the variable revenue that is attached to our longer-range outlook, which is the 2027 outlook, that is still attached to that data centre hub contract. And that's the only variable revenue that's considered. About $30 million of annual variable revenue is considered there. No other variable revenue is considered. However, as you know, from the other contracts that we talked about, there continues to be variable revenue upside above and beyond that $30 million, for sure. We just wanted to be prudent about our long-range outlook there.

Now in terms of the short-term outlook, so 2026 outlook does not include any variable revenue above the contracted minimums or any of the new contracts, so relatively conservative there, and it's definitely variable revenue upside. We want to be thoughtful about the contract ramp schedules and things of that nature, in terms of how we thought about the variable revenue.

But the 2026 outlook is geared towards the fixed minimum revenue commitments with no variable revenue considered.

Brad Archer

Yeah. I think, Jason, the variable starts to get a little clearer as we start to open up more rooms, right, and see the pace that the customer puts heads in beds. Right? But we didn't want to get too far ahead of ourselves on that until we start opening up these phases.

Jason Vlacich

Yeah. And as we've talked about last time, the two most recent contracts that we announced, the larger ones, take about a year to sort of fully ramp up. And that pretty much happens in 2027.

Scott Schneeberger

Thank you, both. I appreciate that colour. I'm going to sneak a follow-up to something Brad said earlier. Brad, your ability to source, if you win a new contract or multiple new contracts, the geographical expansion is getting diverse, as you mentioned. And you've usually had some concentration in certain parts of the country. Just curious if you can comment on your ability to efficiently source assets for development, just your positioning. Thanks.

Brad Archer

Yeah. Look, these communities, they scale quickly, right, after initial mobilization. But we went out early on, and we've talked about this before. We secured line time. We're now executing on the projects that we've put out in the press months ago. In fact, we're making very good progress on them. So execution has been our strength since I've been here, for 18 years. And I think you'll start to see even more of that flow through as we get through 2026 and 2027.

To answer you more pointedly on being able to source, at this point, we've locked up enough line time. We absolutely have the ability and bandwidth to take on more projects, multiple, and continue to do what we're doing today. So we don't have an issue at this point with supply, construction, getting these lights turned on and the facilities ramped up. And we expect to sign more quickly and execute on them.

Scott Schneeberger

Great. Thanks very much.

Operator

Your next question comes from Stephen Gengaro with Stifel. Your line is now open.

Stephen Gengaro — Stifel

Thanks. Good morning, everybody.

Brad Archer

Good morning.

Jason Vlacich

Hi.

Stephen Gengaro

I think two from me. The first is, when I think about you—you referenced it a little bit earlier. When I think about the legacy oil field service, HFS-South operations, you mentioned sort of optimizing beds. And I was curious, as it pertains to that—but I know I've asked you similar questions in the past—but what's the flexibility of moving some of those beds?

But maybe, on top of that, like the contractual obligations you have to those customers, given sort of your network approach in that region, and how does that kind of all play into the ability to mobilize assets that may be underutilized in the oil patch?

Brad Archer

Yeah. First, let me address the flip. We have a lot of flexibility. But first and foremost, we have a lot of long-term customers there that we aren't going to kick out and not allow them to have a room. Right?

With that said, we are going to optimize the part of the HFS portion. Right? I mean, we all know that, that area in the Permian Basin, it's a hotbed for the data centres as well as the oil and gas, but more so the data centres at this point. So we will continue to optimize there while taking care of our long-term customers.

But I think that's the growth story. And, Stephen, me and you talked about this a year ago in New York. All Midland, to Pecos, to you name it in the Permian Basin, we think the growth story there is the data centre play, right, the power play that we're seeing. And we're starting to prove that out by signing contracts. And we think that's just getting started in that area.

Stephen Gengaro

Okay. Okay. Thanks. The other question—and I know you're not going to speculate too much—but in reference to the question earlier about Dilley. If, hypothetically, you sold an asset that brought in hundreds of millions of dollars, how would you deploy that cash?

Jason Vlacich

Well, I would say we're not going to speculate on monetizing assets. However, we are focused on deploying our capital to grow the WHS segment because that's where our pipeline of opportunities is at this point. And that's the most accretive place to deploy our capital for the shareholders.

Stephen Gengaro

Okay. And maybe one more. And Brad's always been very careful about speculating on contracts, et cetera, but you seem very confident in the 20,000-bed pipeline opportunity. Is there any time frame—like the contracts that you're in discussions with, are these things that could happen in the next month? The next half-year? Like what's—without sort of, kind of, committing to a time line, what's the kind of cadence of the discussions and the timing on some of these projects?

Brad Archer

Yeah. I'll try to be less evasive for you on this one. So I would look on our kind of prepared remarks and what we've talked about here. I would look at two separate statements, the first being advanced discussion. We continue to say—

Stephen Gengaro

Yeah.

Brad Archer

—we're in advanced discussions for multiple quarters. What we've added here is kind of a separate statement, finalizing multiple definitive agreements. That's separate and apart from advanced discussions.

I would tell you we feel very comfortable, near term, that we're going to have some new projects come on board. Right? I'm not going to get into sizes and in terms and customers. I would tell you 1,000-plus beds, right, each, as we move forward. They're sizable projects that we feel comfortable giving you the information I just did. So again, kind of bifurcated, advanced discussions and then finalizing multiple definitive agreements.

Stephen Gengaro

Great. No. Thank you for all the details. Thanks.

Brad Archer

You're welcome.

Operator

Your next question comes from Greg Gibas with Northland Securities. Your line is now open.

Greg Gibas — Northland Securities

Great. Good morning, Brad, Jason. Thanks for taking the questions.

Brad Archer

Good morning.

Greg Gibas

One, wanted to touch on the margins within WHS, quite a bit stronger than we expected. And wondering if you could provide some context on whether there were any particular drivers of that strength there. Or if that—I think it was 53.5 percent—is a fair go-forward expectation for that segment.

Jason Vlacich

Yeah. I think the margin profile on that is pretty much in line with the type of contract structures that we've outlined previously, that we see in our pipeline. And what you're seeing there is just a ramp-up ahead of schedule, right, and operational efficiencies materializing quicker and execution, ultimately. Right? And so, those are long-term impacts that we anticipate going forward. It just happened a bit quicker. And look, they'll continue to increase. Right? (unintelligible)

Greg Gibas

Fair. Fair. Good. Appreciate that. And wanted to follow up because I know you mentioned it, Brad, but nice to see you guys secured the permit for the Uinta County, Wyoming data centre opportunity. Wondering if you could provide, maybe, an update on where that opportunity stands and—or, I guess, just where it's at in the contracting process.

Brad Archer

Yeah. And I would say this one kind of fits in the advanced discussions piece. Right? I would say, look, first, we're excited to be a part of this project and the eventual build-out of the workforce hub.

What we did there is we worked with a customer for literally months and months, the developer of the data centre, on site selection, community engagement, city planning. And ultimately, what you've seen in the press is we received an approval for the development of a workforce hub in support of the overall project.

So final terms, conditions, as well as start date for first heads in beds still being worked through, contractually. And I would say just as we have more details, we'll come back to you with that.

But really excited about the project, large project, gets us in a different geography that we're used to working in. We have a facility in Wyoming now. Feel very comfortable of executing on that, and we look forward to it.

Greg Gibas

Got it. Got it. Thank you. And then, I guess, last one here. If you could maybe just speak to the pipeline, how that looks for non-data centre opportunities. Right? And I know—yeah, I would ask, maybe, the percentage of that 20,000-plus beds or so, but don't necessarily want to exclude oil and gas-related opportunities as well.

Brad Archer

You have a lot of critical mineral in there, we're seeing and, again, in different parts of the US, lots of power, right, tied to data centre, lots of that. That's being driven by a lot of the regulations. If you're going to build—and they're definitely forcing you to bring your own power, which we've been dealing with that already. We have a couple of power contracts, as we've noted earlier in the year. And we think that continues.

Look, it's very strong on the power side, and then critical minerals piece. I'm not going to break down the 20,000 beds. It's definitely a portion of it, but it's heavily weighted to data centre and power when you look at the 20,000 beds.

Greg Gibas

Got it. Thanks very much, guys.

Operator

Ladies and gentlemen, as a reminder, should you have a question, please press *, 1.

Your next question comes from Alex Rygiel with Texas Capital. Your line is now open.

Alex Rygiel — Texas Capital

Thank you. It's Alex Rygiel. A couple quick questions and very nice quarter.

Regarding the timing of additional workforce housing contracts, how has the pace of negotiations for future contracts changed in the last kind of two or three months? Have you seen them accelerate? Is it sort of moving at the same kind of pace that it's been at? Has it slowed?

Brad Archer

Yeah. I would tell you, maybe, the overall time from negotiation to signature's about the same. I would just tell you there's more of them, if you will, in discussions, in negotiations. Again, I mentioned earlier, the adoption of what we do is becoming stronger and stronger. So the pipeline is growing, and it's getting upgraded as well, if you will. And so we're seeing good things come out of that.

Alex Rygiel

And then your average bed utilization was 4,000 in the quarter. What is implied in your 2026 estimate and 2027 estimate, where you'll be kind of exiting on bed utilization rates 2026?

Jason Vlacich

Well, I would say we had, what, 9,000 beds contracted this year. That includes the last two large contracts, one for 3,300 beds, approximately another one for 4,000. Those are going to take about a year to fully ramp up. As we said on our last call, we expect those communities to be fully ramped up by mid-2027.

And so, obviously, we anticipate the utilization to increase as we move through the year. Even on those two large contracts, that'll take about a year, we anticipate delivering about 1,000 beds a quarter. We're on track for that. And so you'll see a higher number than the 4,000-bed utilization, not the full 9,000 beds, because that'll basically happen in 2027.

Alex Rygiel

Very helpful. Thank you very much.

Brad Archer

Sure.

Operator

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

Brad Archer

Thank you. In closing, I just wanted to reiterate a few points.

Number one, industry adoption, as well as federal, state, and local municipality adoption around the services we offer continues to grow, as they see our offering lessening any impact caused by the growth they're experiencing in their communities. Community relations is becoming a huge piece of all of this. Right?

So number two, we are executing. You heard me and Jason talk about that. Revenue and profits are increasing and will continue to accelerate as we move through 2026 and 2027.

Number three, sales pipeline continues to strengthen, and we fully, fully expect new wins to flow from this.

And my last point, as a company, Target Hospitality has the bandwidth to take on more, and we fully expect to do that in the near future.

Last but not least, I want to thank you for all joining the call today, and we look forward for your support in the future.

Operator, that will end the call for today.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.