

## Acorn Energy, Inc., Q2 2025 Earnings Call, Aug 07, 2025

8/7/25

### Corporate Participants

Jan Loeb - President and CEO

Tracy Clifford - Chief Financial Officer and COO

### Operator

Good morning, and welcome to Acorn Energy's Second Quarter 2025 Earnings Conference Call. [Operator Instructions] As a reminder, today's call is being recorded. I'll now turn the call over to Tracy Clifford, CFO of Acorn Energy and COO of its OmniMetrix subsidiary.

### Tracy Clifford

Thank you, operator, and thank you all for joining us today. Before we begin, I'd like to remind everyone that today's remarks, including responses to questions may contain forward-looking statements. These statements involve a number of risks and uncertainties that could cause actual results to differ materially from those projected. Factors that may impact our future operating and financial performance include general risks such as potential disruptions to business operation or shifts in consumer demand and customer demand as well as specific risks related to our ability to execute our operating plan, maintain strong customer renewal rates and expand our customer base. Additional risks may arise from changes in technology, increased competition or shifts in the macroeconomic or financial environment.

These forward-looking statements are made pursuant safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are based on management's current beliefs, assumptions and information available as of today. There can be no assurances that the company will meet its growth targets or other strategic objectives. The company undertakes no obligation to update or revise these statements to reflect future events or circumstances after this call.

For a more detailed discussion of the risks and uncertainties that may affect our business, please refer to the Risk Factors section of our most recent Form 10-K available on the SEC's website at [www.sec.gov](http://www.sec.gov) or on our own website.

With that, I'll now turn the call over to Jan Loeb, CEO of Acorn Energy and OmniMetrix. Jan?

### Jan Loeb

Thanks, Tracy, and thank you all for joining us. Q2 was a milestone quarter for Acorn. We delivered record remote monitoring and control revenue, strong operating cash flow and EPS of \$0.28. And last month, we uplisted to the NASDAQ Capital Market,

enhancing our visibility and positioning us for future growth. Let's start with some numbers.

Second quarter revenue rose 55% year-over-year to \$3.5 million, driven by an 89% increase in hardware sales and a 19% increase in monitoring revenue. Gross margin expanded to 75% from 73% last year. Operating income increased 267% to \$947,000 and fleet diluted EPS rose to \$0.28, up from \$0.11 in Q2 2024. Importantly, our EPS is now reported on a fully taxable basis. If we exclude our noncash tax expense in Q2 2025, our EPS would have been \$0.36, and be more comparable to our year ago EPS of \$0.11, which included no tax provision.

Our growth continues to be fueled by a strategic contract with a major U.S. cell phone provider which has provided a material benefit to our financial results since the third quarter of 2024. This approximate \$5.4 million contract covers monitoring revenue -- monitoring hardware and first year of monitoring services for the telecom providers, cell tower backup generators. To date, we've recognized \$4.1 million in revenue, of which approximately 95% is hardware. We expect to complete the hardware shipments under this contract in 2025, while deferred monitoring revenue will extend into 2026 based on the rollout of the monitoring service activations.

Given our over 90% renewal rates and cost prohibitive nature of switching to a [pertaining] offering, we expect this relation to generate recurring revenue well beyond the initial term. We believe this contract does not represent the total potential opportunity with this customer, and we're working to expand the scope of our work with this customer when the opportunity arises.

Now I'd like to talk about our market position and competitive advantage. OmniMetrix remains the largest independent provider of remote generator monitoring solutions in North America. Our technology supports 4 major generator brands and our industry-leading solutions are known for [indiscernible] features such as ease of installation, comprehensive diagnostic and reporting a state-of-the-art user interface and support for all major generated brands. These advantages and other advantages have earned us the trust of over 600 generator dealers, many of whom consider us the best-in-class solution.

Additionally, while some backup generator OEMs offer some type of remote monitoring solution, dealers are often reluctant to use those services because they do not want to jeopardize their customer relationships and service revenue lines by enabling a direct relationship between the OEM and their customers. As the pioneer of remote generator monitoring, we are committed to maintaining our competitive edge through ongoing investment in product innovation.

In June, we launched our next-generation monitors, Omni for residential and OmniPro for the commercial and industrial use. These devices feature sleek design and smaller footprint, multi-color LEDs for real-time diagnostics, remote exercising programming compliance recordings, overview updates and other software enhancements. These innovations improve installation speed, reduce service costs and enhance reliability, further strengthening our value proposition.

Turning to growth opportunities. We are actively pursuing growth in hardware sales and monitoring endpoints by supporting our network of over 600 generated dealer customers and through our internal direct sales efforts targeted at large and commercial industrial accounts. While we have a strong position in the residential market, our growth is more a function of overall economic factors such as interest rates, inflation, and employment outlooks as well as region-specific conditions that drive households in prioritizing their investment in backup generated power.

The residential market has been relatively flat over the past 2 quarters, but expect that it will eventually return to its growth trend in the coming years. Larger commercial and industrial opportunities are where we feel best positioned as it is in this market where our technology and service leadership are most valued and where we have the potential to pursue much larger opportunities across a variety of areas.

We have a range of ongoing discussions with C&I prospects, but it tends to be a longer sales cycle and so it's harder to predict the outcome. We are also increasingly being asked to look at other potential areas of monitoring activity that would require some amount of new product development, but large -- but are largely rooted in our core strength and capabilities. We will continue to evaluate such opportunities that align most closely with our core strengths and capabilities.

Beyond organic growth, we are actively evaluating M&A prospects that complement our focus on remote monitoring, recurring revenue models and could be accretive in year 1. Our NASDAQ listing enhances our ability to pursue these opportunities as it provides a more attractive currency for such transactions. We also see potential in the OEM partnerships where our monitoring solutions could be bundled with new equipment sales, offering OEMs a turnkey solution while allowing us to scale efficiently. It is difficult to know if any of these efforts will prove successful, but we believe they offer a great deal of potential to help us drive incremental growth.

Longer term, it seems natural that monitoring will become an embedded component in standby generators and other industrial equipment. Given our service and technology leadership, we are working to position OmniMetrix as the obvious partner across commercial, industrial and residential markets and enabling OEMs to focus on their core business. Importantly, several secular trends are expected to drive growing demand for our solutions, including increasing grid instability and extreme weather events, growing adoption of smart residential and commercial industrial IoT systems and the prevalent need for predictive maintenance and operational analytics.

The key takeaway is that remote monitoring is increasingly being seen as a necessary and cost-effective tool to mitigate risks of operational disruption in the commercial and industrial segment and reliability and comfort in the residential segment. And OmniMetrix is ideally positioned to meet this demand. Based on our current trajectory and industry dynamics, we believe we can sustain 20% of average annual revenue growth over the next 3 to 5 years. Our scalable model, lean operating structure and time margin recurring revenue model give us confidence in our ability to deliver long-term shareholder value.

With that, I'll turn the call back to Tracy for a deeper dive into our financials. Tracy?

## Tracy Clifford

Thanks, Jan. As Jan mentioned, Q2 revenue rose 55% to \$3.525 million, including \$1.4 million from the cellphone provider contract leading to 89% growth in hardware revenue and 19% growth in monitoring revenue.

Gross profit increased 58% to \$2,639,000 with gross margin expanding to 75%. Operating expenses rose 20% to \$1,692,000, but decreased as a percentage of revenue to 48% in Q2 '25 from 62% in Q2 '24, demonstrating our strong operating leverage. Net income to stockholders rose 166% to \$720,000 or \$0.28 per fully diluted share despite a \$242,000 tax provision, of which \$206,000 is a noncash federal tax provision.

First half highlights include revenue of \$6,623,000, which is a 50% higher year-over-year, net income of \$1,184,000 an increase of 252% year-over-year. Cash flow from operations of \$900,000 and a quarter-end cash balance of \$3,253,000, which has increased to \$3,428,000 as of August 5, 2025, and we continue to be debt-free.

We continue to invest in research and development and product development. R&D rose 17% to 265,000, supporting the launch of Omni and OmniPro, continued enhancement of our remote AC mitigation disconnect product or RAC, within our cathodic pipeline industry segment and exploration of new product lines. With respect to tariffs, our position remains that we don't view them as a significant impact on our cost or margin structure as we source a small fraction of our components from outside the U.S. and assemble our product in the U.S.

We are monitoring the situation but currently believe we could adjust pricing to minimize any tariff-related cost increases if we deem this necessary to maintain our historical margins. We also continue to focus resources on enhancements to our OmniView 2 or OV2 user interface, which we launched in 2024 to provide more features such as custom self-reporting options as well as streamlining our back-end operations and database processing to ready us to meet the anticipated demand and future growth in monitoring connections and to address any potential barriers to such growth.

Additionally, we routinely enhance our cybersecurity protocols to mitigate the risks facing us as an IoT company. To facilitate these efforts, we recently hired a seasoned printable systems architect to further expand our internal technology resources and enable us to continue to build on our strong IT infrastructure. We remain focused on delivering best-in-class solutions and listening to our customers to identify unmet needs that we can incorporate into future offerings and to continue to align ourselves as a true partner to our customers and not just a vendor.

In closing, our solutions provide significant value by improving reliability and reporting offering peace of mind and reducing service costs. We're excited about the opportunities ahead and look forward to updating you on our progress.

Operator, please open the line for questions.

**Operator**

[Operator Instructions]

Hello, Alex. Could your line be muted?

**Alex Ginsberg, Private Investor**

Sure. Congratulations on the great quarter and the great year, I'm a longtime shareholder. The expectation of 20% growth for the next several years implies a pretty substantial pipeline on the hardware side. I understand that increasing the size of the telecom deal as part of that, but I wanted to hear some more color on pipeline in other -- for other deals.

**Jan Loeb**

Okay, Alex. Thank you for being a longtime shareholder. Firstly, I want to just make sure that you heard I say that we expect 20% on average. So in this business, we can't really project big contracts, what's happening it's not like we have a large backlog. For example, on this telecom water, I mean, we basically shipped within practically 1.5 years, a very significant amount of product.

So I will say that we are talking to a number of OEMs. We're responding to a number of RFPs. And so I do have a very good feeling that we can achieve this 20% on average annual growth rate going out 3 to 5 years.

**Operator**

Our next question comes from Yosh Ruperaida of David Budget Car Group.

**Yosh Ruperaida, Investor**

Yes. Congratulations on a great quarter. Yes, now that you've mentioned that you've already accomplished 4.1 million out of the \$5.4 million. What's your outlook for the next 2 quarters? And I had the same question as Alex. Are there any new deals or contracts in the next couple of months that we should be looking forward to?

**Jan Loeb**

So same answer. I can't tell you when contracts come in or just general flow of business but I have a high degree of confidence that things are happening just because of our industry leadership. In terms of the telco contract, a lot depends on them. We are ahead of them in shipping product versus them installing product.

So at some point in time, they'll catch up, but I think that they want to get more product in store, which is obviously good for us because we don't book our revenues until the products installed and activated and accepted. So a lot depends on them in terms of the timing when they want more product ship to them.

## **Yosh Ruperaida, Investor**

Got it. And one more question. In terms of monitoring revenue, how much do you see it growing in the -- just like in terms of the monitoring revenue, how much do you see it growing in the next couple of years?

## **Jan Loeb**

I would say it would be similar to hardware because if you think about it, monitoring follows hardware. Now hardware is a much bigger number. We've said in the past that hardware generally represents about 80% versus first year monitoring versus 20%. And when somebody buys a product. But as that is established, the 2 should work hand in hand, again, back to the telecom contract, we've shipped more stuff than they've installed, so monitoring will catch up to that. But in general, they should move generally lockstep.

## **Operator**

[Operator Instructions] Our next question comes from Chris Tuttle of ICO Kandy.

## **Kris Tuttle**

Nice job folks, really executing well. My question is a little bit on -- I know that it's a business that's hard to -- that's going to ebb and flow and appreciate your long-term views on growth and profitability. But maybe you could talk a little bit about your pipeline or your -- what you're seeing in terms of opportunities that you can bid on, whether they're RFPs or other because I set you some info about the forecast of the reliability of the grid is not good, which would suggest that there's a lot more interest in the type of technology of products that you guys are providing. So maybe you could talk about what does your pipeline look like now versus 6 months ago or a year ago in terms of opportunities that you're going after?

## **Jan Loeb**

So I'll say that the number of opportunities today are larger than they were 6 months ago, and they're more varied. So we're getting requests for our solution -- for our monitoring solution that's not even in generators. People are coming to us and say, we see that you're a leader in remote monitoring. We need remote monitoring of this technology sophisticated item. Would you be interested in doing that?

So as I mentioned in my remarks, there are some new and interesting RFPs that are coming out that are coming to us and asking us to provide a solution for them. Again, I don't know that I'm going to win the RFP. But this is the first time that we've had people of size and difference reaching out to us if we can provide a solution. So that's number one.

And then just in general, what's going on in the industry, we're getting a bunch of inbound pools. And then obviously, our salesmen are getting more interest in what we're doing than we've had before. So again, the number of requests and interest is up how that translates into actual product or sales. It's very hard for me to say at this point in time.

**Operator**

[Operator Instructions] Our next question comes from Joel Sklar, a private investor.

**Joel Sklar**

A great job on the progress that Acorn has shown. Question on demand response. Any update there especially with C Power's parent company being acquired? I know you had a -- have a partnership with them. So can you provide any update specifically on what's going on with the C Power relationship and more generally on the future of demand response and generators?

**Jan Loeb**

Sure. Thank you, Joe, and thank you for your continued support. So C Power was bought from a private equity firm, EL Power, and it's now owned by NRG. And our partnership is very much intact on a weekly basis. In general, in terms of revenue, we're not seeing much of revenue today. We see a drop of revenue today, but not much. And we think long-term demand response is -- could be a very big area for us because it's almost all profit.

And it's really -- the grid operators themselves don't have their act together in terms of demand response, meaning what does it take to incent company residential to put their system into the program that when the demand for electricity is up that they can quickly -- or we can quickly switch on their generators and take the demand -- their demand off the grid. So it's really -- our partnership is strong in place, but the grid operators still haven't gotten their act together in terms of their payment and their plan on demand response. So when that happens, we're going to be there and could be very exciting, but it's not happening yet.

**Joel Sklar**

Okay. But it sounds like you're still very bullish on the future potential of that marketplace, correct?

**Jan Loeb**

Correct. I think so. Based on all the things that you've said, you've read and people have said the articles, as Chris said, the grid needs out. And one of the ways is backup generators.

**Operator**

This concludes the question-and-answer session. I would like to hand the conference back over to Mr. Jan Loeb for any closing remarks.

**Jan Loeb**

Thank you all for joining today's call. We appreciate your continued support. For follow-up questions, please reach out to our IR team listed in today's press release. We look forward to speaking with you again next quarter. All the best.

**Operator**

The conference has now concluded. Thank you for attending today's presentation, you may now disconnect.