Acorn Energy, Inc. - Shareholder/Analyst Call
9/17/25

Jan Loeb

Good afternoon, ladies and gentlemen. My name is Jan Loeb. I'm the President and CEO of Acorn Energy, as well as a member of the Board of Directors, and it is my pleasure to welcome all of you to the 2025 Annual Meeting of Stockholders. Thank you for joining us today.

[Operator Instructions] I'd like to introduce the other members of our Board of Directors that are all here in attendance today. Gary Mohr; Michael Osterer; Dr. Sam Zentman; and Peter Rabover, who is joining us virtually.

Also joining us today is Tracy Clifford, our Chief Financial Officer and COO of our OmniMetrix subsidiary; and Sheldon Krause, Assistant Secretary and outside counsel to the company. We also welcome representatives of our auditors from CBIZ CPA P.C. and David Collins and William Jones of Catalyst IR, IR firm. I will act as Chairman of the meeting, and Mr. Krause will act as Secretary of the meeting and Inspector of Election. Mr. Jones will host the Zoom session.

I now call upon the Secretary of the meeting to present proof of mailing of notice of the meeting.

Sheldon Krause

Mr. Chairman, I'm in receipt of an affidavit of mailing of notice of the meeting commencing on or about August 7, 2025. I direct that the affidavit be received and filed with the records of the meeting.

Jan Loeb

I have in receipt of the inspector's oath sworn to and duly notarized, which will be filed with the minutes of the meeting. I am informed by the inspector that the count of shares present immediately prior to the commencement of the meeting indicates that in excess of 50% of the outstanding voting of the company is represented at this meeting in-person or by proxy.

I therefore hereby declare a quorum present. We will now proceed to the proposals on the agenda. We will present all the proposals, after which we will open the polls for voting on all proposals. If you voted by proxy, we have your vote and your shares will be voted in accordance with your instructions, and there is no need to vote now at the meeting.

Let's proceed to proposal #1, the election of directors. I call on the secretary to formally place the persons listed on the management proxy into nomination.

Sheldon Krause

Mr. Chairman, I hereby nominate for election as directors of the company to serve until the next annual meeting of the company or until their successors are duly elected and qualified the 5 persons listed in the management proxy.

Jan Loeb

Is there a second?

Gary Mohr

I second.

Jan Loeb

We will now move to the next item of business, which is proposal #2, the ratification of the Audit Committee's selection of our company's independent accountant for the year ending December 31, 2025. The affirmative vote of a majority of shares present and voting in-person or by proxy is required for approval.

Sheldon Krause

Mr. Chairman, I move the approval of proposal #2.

Jan Loeb

Is there a second?

Sam Zentman

I second.

Jan Loeb

The next proposal is proposal #3, an advisory vote on the compensation of the company's named executive officers. We are asking stockholders to cast an advisory vote on the compensation of our named executive officers disclosed in the executive and director compensation section of this year's proxy statement. While this vote is nonbinding, the company values the opinions of the stockholders and will consider the outcome of the vote when making future compensation decisions. The affirmative vote of a majority of the shares present and voting in-person or by proxy is required for approval.

Sheldon Krause

Mr. Chairman, I move the approval of proposal #3.

Jan Loeb

Is there a second?

Gary Mohr

Chairman, I second.

Jan Loeb

We will now proceed to voting on all proposals. Once again, if you voted by proxy, we have your vote and your shares will be voted in accordance with your instructions, and there's no need to vote now at the meeting.

I now declare the polls open for voting on all proposals. Let's take a brief pause while we await the results of the balloting.

[Voting]

Jan Loeb

Okay. We will now close the polls. I now call upon the Inspector of Elections to report the results of the balloting.

Sheldon Krause

Mr. Chairman, I count the ballots has been conducted. On the basis thereof, I report that a plurality of the issued and outstanding voting stock of the company has been voted for the election as director of each of the 5 management nominees listed on the ballot. And proposals 2 and 3 have both been adopted by the requisite majorities. A full report of the balloting on each of the proposals will be submitted for inclusion with the minutes of the meeting.

Jan Loeb

On the basis of the report of the Inspector of Elections, I hereby declare that the 5 management nominees for directors have been duly elected and proposals 2 and 3 have been duly approved. There being no further business before the meeting, we will now adjourn the meeting.

I will now entertain a motion for adjournment. So moved. Is there a second?

Sam Zentman

I second.

Jan Loeb

May I have a voice vote. We will briefly unmute everybody on the call for the voice vote.

Jan Loeb

The eyes have it. I declare this meeting adjourned.

Sheldon Krause

Mr. Chairman, before proceeding to the presentation and any questions, I would like to mention that certain of the statements which may be made in the presentation this afternoon or in response to questions may be forward-looking and subject to various risks and uncertainties, which may cause actual results or performance to differ from expectations. A summary of these risks and uncertainties is included in our most recent annual report on Form 10-K and quarterly report on Form 10-Q.

Jan Loeb

I will now proceed with my remarks and presentation, after which we will take your questions.

So thank you all very much for coming those in-person and those virtually. I'll talk a little bit about our accomplishments for the year and some of the things that we're working on today. And then we'll open up for questions, both from the people in attendance here and virtually. So 2025 has been an excellent year...

Tracy Clifford

That's the case.

Jan Loeb

Thank you, [BJ]. So I was just saying that the telecommunication besides the revenue and profitability that it has provided the company has shown that we can deliver a significant amount of units in a short span of time, if necessary. And I think also it has caught the eye of other companies maybe in the same field that we have the best solution today in the marketplace for generator monitoring.

The other big event for the year has been our movement up to NASDAQ, which I think took some time. It is an expense for the company. And as most of you know, I'm pretty tight on expenses. So going to NASDAQ, we thought about -- but at the end of the day, we decided that it was worthwhile on a couple of fronts.

Number one, giving our shareholders more liquidity. And certainly, the average number of shares traded during the day has moved up since we've gone on for NASDAQ. And so we're happy about that, and that should be a benefit to our shareholders. But also, we took into consideration the fact that it is now easier for us to talk to companies about acquiring them, making acquisitions with stock once we're on NASDAQ versus the OTC. And so that also weighed in -- on our decision to move up to the NASDAQ.

Other things that occurred during the year, I think we've done a -- and really Tracy has been the main factor in this. We've really built a great team in 2025 at OmniMetrix. I think everybody is working together hard, so to speak as a family. And I think that's a very big positive for us going forward if we're interested in growing our business, which we definitely are.

We have a couple of new products out that you've all heard about and read about our Omni and our OmniPro versus our TG and TG Pro. It's -- they're better, they're faster, they're easier to install. And in some cases, they're actually even cheaper. So it should help our gross margins a little bit as we get this out into the field.

I think the big question that everybody has or should have, is what happens post our telecom contract. We have -- or I'll say me that I've been on record of saying that I believe this company can grow on average a 20% annual rate. And so recognize that it's pretty hard to grow 20% off of a $5 million contract, but that's why I say on average.

But the question is what can we backfill, so to speak, the company to show that we can grow. And so we're doing a couple of things that I think are very exciting. We've said that we are talking to a number of OEMs about using our solution. And I think that, that we are talking to 3 OEMs. I don't think we're going to get 3 OEMs. But I think we can certainly get one of them. It's a long sales cycle, but it's certainly something that we've been working on, and I feel good about.

The other thing we're working on is acquisitions. We have 3 acquisitions in mind, and we have 3 term sheets out, not to say that anybody will agree to a term sheet that I send out. But the discussions are -- there are discussions, and I think -- and all 3 of these companies would be accretive to the company on day 1 or maybe day 2, and would fit very nicely with what we're doing. So it will be synergistic and fit well. And all of them have a monitoring component. I will not make an acquisition that does not have a monitoring component to it because I believe that monitoring is really the value of our company. And so that's what we're focused on.

In terms of our position in the marketplace, as you've heard me say, I think we have the best product in the marketplace. And I think that we've been spending a significant amount of money on cybersecurity, which we think is very important in today's day and age. And I would say that our smaller competitors just do not have the capability and the money to spend their mom-and-pop shops. And again, as we deal with these large customers like the telecommunications customer, cybersecurity is something that is very important to them. So we are seeing what the big customers want. And so we're able to put that into the products that we sell. I don't believe our competitors have done that and have the capability to do that.

Again, cost money, but we're doing it, and I think will position us out into the future as the solution for generator monitoring. All the trends that I've spoken about in the past, I think, are still very much there. The trend for generator growth because of grid incapability to provide the necessary electricity as electricity demand goes up. So I think because will be continued growth in generators. And then the growth in the trend for monitoring. Everybody wants to have something monitored. Everybody wants an app on their phone, wants to know what's going on at all times. And so we're riding that trend as well. So we have 2 good growth trends that are benefiting the company.

And I think we're well positioned for growth out into the future. And that's kind of the -- my remarks. I'm going to open it to questions. I mean we have on our website an updated deck. Most of the people on this call and everybody in this room knows our company fairly well. So I've chosen not to kind of go through the deck. But just in terms of profitability, what we've said, which I think is very critical in understanding again the value of our company is that 50% of the incremental revenue falls to our bottom line because we have such a large 70% plus gross margins. And I said our team is now in place, well structured. 50% of our incremental revenue should fall to our bottom line, so we should see continued profitability.

Jan Loeb

Okay. I will now open the call up for questions. [Operator Instructions] Bill or David, you can recognize.

Sheldon Krause

They have to raise their hand.

Jan Loeb

Okay. We have a question here from Jim.

Jim Kahn

Jim Kahn Financial Partners. So before I found the company, I really didn't know that much about the business. So who are your competitors? And you mentioned a lot of mom-and-pop. Are there any significant larger competitors?

Jan Loeb

Yes. So our largest competitor is Generac. They have a monitoring system. And they are larger than us. And -- but the issue with Generac is they only monitor Generac generators. So just to give you a little bit of history, OmniMetrix actually made all the monitors for Generac for many years, and then Generac took that in-house. And so today, they are our largest competitor.

But again, they're only on Generac machines, and they're only on Generac machines in the residential area. So I mean, they sell a monitor to the commercial and industrial area and -- but we compete with them in the commercial and industrial area. We cannot compete with them on the residential area because they have certain encryption in their generators that they put in. And plus, they can force their dealers to use their monitoring system by increasing the warranty.

So they say, if you use our monitoring system, we'll increase your warranty from 5 years to 10 years. So they have a couple of different things that they can use to make sure that on the residential side, the dealers only use their system. On the commercial and industrial side, they don't have that capability, and so we compete head-to-head with them very successfully on the commercial and industrial side. And then the smaller guys we mentioned power telematics. So these are private companies, power telematics, Gen-Tracker are 2 of them.

Jim Kahn

Do you monitor for anything besides generators?

Jan Loeb

Yes, we monitor -- well, our generators is approximately 90% of our business and then approximately 10% of our business is we monitor something called a rectifier. So every gas pipeline has an electric current that runs on the gas pipeline to prevent corrosion and that electric current is controlled by a box called a rectifier, and we monitor rectifiers. So that's another product we monitor. We can monitor pump jacks, things that have engines with controls on them are things that we can monitor.

Jim Kahn

So this may or may not be, but I'm involved a little bit with a listed company called Winland Electronics, WELX is on OTC...

Jan Loeb

Is that -- Is that also like a crypto play?

Jim Kahn

Yes.

Jan Loeb

Okay.

Jim Kahn

But they become increasingly interested in crypto as the largest shareholders in Europe. And in my...

Jan Loeb

I know the stock.

Jim Kahn

Okay. But in my discussions with Matt, who is the CEO and is also a fund manager [indiscernible] because they keep buying stock from -- buying stock exchange. I don't feel that anybody in the company is that focused on the monitoring business, which you can look on the website and it's quite. They probably do a lot of monitoring that don't do -- but I noticed in the last quarter, it's grown about 20% year-over-year, but the earnings aren't growing because the expenses are growing. I mean I don't know if they are interested in selling the monitoring business, but I think it's certainly worth exploring.

Jan Loeb

Okay. Thank you. I will look into the matter, and I'll give them a call.

Jim Kahn

Okay.

Sheldon Krause

We have a question online.

Jan Loeb

Okay.

Sheldon Krause

Do you want to take that.

Jan Loeb

Yes. it's TJ Binkowski.

TJ Binkowski

You had the last same right. Can you hear me all right?

Jan Loeb

Yes, we can, TJ.

TJ Binkowski

This is TJ Binkowski with Narrow Planning. Jan, we've talked before. Could you -- I guess, could you expand a little bit more on not the tear sheet specifically? Obviously, you said about what you want to say, but on your guys' ideas for M&A, are you looking more to pursue tuck-in acquisitions or kind of the [indiscernible] swallowing the wheel kind of acquisitions where you're trying to acquire companies your size or 50% of your revenue size? Or is it entirely mom-and-pops who would make up maybe 10% of your revenue? I guess just getting a flavor for how you plan on doing M&A in the future now that we are on the NASDAQ would be great and helpful for me as an investor.

Jan Loeb

Okay. And the answer is it's all of the above. So we're talking to somebody who would be in a tuck-in. We're talking to somebody who would be synergistic to us in an -- in aligned business. And all -- but they're all private companies. They're not public companies.

TJ Binkowski

Okay. Okay.

Jan Loeb

And they're all sizes.

TJ Binkowski

Okay. That's super helpful. And then last question for that, I guess, how do you weigh -- and obviously, you're on the capital allocation side of things, but how do you weigh your -- our ability to win large contracts with other people? Obviously, that revenue is incremental and pretty much costless versus M&A. I guess how do you think about the 2 of those things in the context of our long-term strategy when we've shown and you've shown the ability to win those larger-sized contracts that would 1.5, 2x the size of the business on an ongoing basis?

Jan Loeb

Yes. I mean I can't control large contracts. So in the case of large contracts, there are RFPs, there are people who come to us for our solution. So that's not in our control. I wish it was. Acquisitions are really more in our control to degree that we're out looking at -- for things all the time. Obviously, what's not in control is what the sellers want for their assets versus what we're willing to pay.

TJ Binkowski

Yes.

Jan Loeb

But...

TJ Binkowski

So basically, what you're saying is it wouldn't affect our ability to satisfy a large contract, if you want.

Jan Loeb

Correct. They are totally mutually exclusive.

TJ Binkowski

Okay.

Jan Loeb

Thank you, TJ. Right. We have a question here from the floor. Yes.

Dean Avrahami

I actually might have a couple of questions depending on the answer to the first.

Dean Avrahami

Should I go ahead.

Jan Loeb

Yes, Dean, can you hold on a second. Thanks.

Jan Loeb

No, no, it's different fellow.

Unknown Analyst

Different follow-up. Given the unreliability of the electrical grid, the transmission system in the United States, is that -- are you doing anything in that area? Would you like to? Is that a monitoring activity that is salable, have you considered that?

Jan Loeb

So the question was, is there a monitoring potential for us because the electrical grid is somewhat unstable here in the United States. Am I paraphrasing your question? Okay.

So the answer to that is no. It's a simple answer to the question because we don't monitor the grid. We monitor generators and we control generators. So to the degree that generator sales are moving up because of what you said, the instability of the grid, that gives us a greater opportunity to sell our product. That's number one.

The second point, which is something that we've talked about, but has not yet come to really fruition is something called demand response. So because of our ability to control generators, so we don't just monitor, but I can turn on and I have turned on a generator in Italy from Atlanta, Georgia. We actually control the generator.

So if during some peak time, somebody -- a grid operator needs more power, we can turn on generators in that sector to so to speak, take his power needs down, okay? And we can get paid for that. So that's both demand response. We have a partnership that we're doing that. It has -- we're making a couple of bucks, but nothing to speak of as of yet. It's something that I think and have said that I think it would be a very large part of this company down the road, but it's down the road.

Unknown Analyst

Okay.

Jan Loeb

Dean, go ahead.

Unknown Analyst

So I was actually going to ask you about demand response, but you just covered it. But I'm wondering, I think you spoke on one of the recent Zoom calls about how one of the advantage you have is that the dealers don't like to hold a lot of inventory. And I'm wondering if you could talk about if you're seeing any other push from your competitors to try and influence dealers to sell your product? And then I might have another question.

Jan Loeb

Okay. So again, our product is agnostic, so we can go on any generator, and we can monitor any generator. Our major competitor, Generac can't do that. I mean no Briggs & Stratton dealer is going to put a Generac monitor on their machine. Firstly, it wouldn't work, but they would never do that. So we have that capability.

Now some of our smaller competitors have that capability also. But again, our smaller competitors just don't have the reach that we have, and they don't have and they have not been investing to the degree that we have in what I mentioned like cybersecurity, et cetera. So that would be my answer to that question.

Unknown Analyst

No. But my question is basically, have you seen any push from your competitors to win over dealers? Because I know during the 3G sunsetting, you mentioned there was that push. Have you seen any push in the recent months from them?

Jan Loeb

No. No. I mean we just see normal competition. But again, what I've said, I think, is that once a monitor is on a generator, and it's working, there is no incentive for the dealer to take that out and put somebody else's in because the technician cost to do that far outweighs any cost savings that they would have by somebody offering you a cheaper monitor. So it happened by 3G sunsetting because all the 3Gs went dead. So they had to change out. They had no choice. But in a normal cycle, which is what we're in now and we will be in for most probably the next 7 to 10 years, we don't envision that.

Unknown Analyst

Okay. And my other question is about your cathodic protection monitoring. I feel like when I -- I mean, I've been in the stock for 7 years. And when I first got in, that's kind of -- I expected that to be what excited me. And obviously, I was definitely wrong. But I'm wondering, what would it take or what's holding back growth in that segment right now?

Jan Loeb

So the main thing is that gas pipelines is not a growth segment, meaning the number of gas pipelines are the number of gas pipelines. What you see going on in gas pipelines is consolidation. So some company buying a system in the Northeast and some other companies selling their system in the Northeast and buying something in the Southwest. But there's no growth in gas pipelines.

So therefore, it's just not a growth business and the companies that we have with the companies that we have. Similarly to what I just said in generators, if you're Duke and you're using us, you're going to be using us. If you're somebody else and -- you or somebody else and you're not using us, you're not going to be -- you're going to be using our competitors and you're not going to really switch. So it's just not been a growth market, and therefore, we've not really focused on it, and generators, as I said, is a growth market, and that's why we focus on that.

Now I don't want you to get the impression that we don't view the CP market as a very legitimate market. It is a great market. We have the share that we have. And we have been working on the RAD. As you might have heard, we had the RAD go out on some trials that came back, and our customers said they want to see x, y and z added to the RAD to make it more worthwhile. And so we've added x, y and z. And so we've now tested something we call RAD EX. And so we'll see what happens with that as we begin rolling that out towards the end of this year, the fourth quarter of 2025.

Unknown Analyst

Okay. And sorry, one last question. I'm wondering if you can give us just focusing back on the power generators. I'm wondering if you can give us a breakdown of -- I'm assuming at this point, most of the revenue is from commercial, nonresidential, correct?

Jan Loeb

No. I mean the answer is most, yes. So I'd say today, it's most probably a little bit over 50% is commercial and industrial. And again, I'm taking out the large contract that we have with the communications company because obviously, that skews the whole thing. But I'm saying in general, this started out as being a residential business, and we were -- when I came into the company, I'd say we were 80% to 85% residential. And today, I'd say we're maybe 45% residential. So the growth is in the commercial and industrial. It's not in -- I mean, we are adding residential customers. I don't want to say that there's no growth there, but our focus is commercial and industrial.

We have a question from the floor.

Unknown Analyst

Okay. Thank you, Jan. First off, I'd be remiss if I didn't thank you and Tracy, for the wonderful job you're doing with OmniMetrix and Acorn.

Jan Loeb

Thank you very much.

Unknown Analyst

So with the large telecommunications contract that is finishing up this year. I guess, number one, what type of feedback have you received from the customer on the -- how well the monitors are operating and installation and everything?

And then second, you had mentioned in the past the potential for a follow-up order from that customer that they have maybe a different region of the country or something where they have -- you could potentially get a future follow-up if you had obviously, hasn't happened yet, but any thoughts on that...

Tracy Clifford

I can jump in there.

Jan Loeb

Okay.

Tracy Clifford

We actually have weekly calls with the company to make sure we're on top of their response because we do realize how important that this is as far as representation for us moving forward. And just a few weeks ago, I'd say, 3 weeks ago, I was on the call, and I specifically asked that question. I said, is there anything else we could possibly do to make you happier to increase your satisfaction? And I was very pleased to get the answer of no. It's going well. Our rollout -- honestly speaking, when we first received this award on the rollout, we were -- it was the biggest -- the shortest timeline and the largest number of units we had ever been asked to roll out at one time.

And I will say we added no staff. I think we brought in a college intern to help packaging. And we were able to meet their schedule and we're actually just waiting for the -- we were waiting on them to give us the next instruction of where they wanted to ship units. So I think the team has really stepped up and responded in a way that we couldn't ask any more of them.

We have also -- they have made requests from us of different types of reporting and features they would like to see on our portal, and we have worked those into sprints. And as far as delivering those a little faster, I personally would like to have been able to do that, but they didn't seem to have a complaint about it or a dissatisfaction on that. So that's actually, I think, helped us also position ourselves in even a stronger position for the next opportunity we have because they have helped us even get better in satisfying their requests. So I think that we couldn't be happier with how that went.

Unknown Analyst

It's great.

Jan Loeb

And I think if they want more, they would come to us. Now we answered your question?

Unknown Analyst

Sounds good. Okay. Yes. Getting back to demand response for a while, is there something that should be -- this may be more CPower than you guys, but lobbying that should be done with the government and politicians. I mean, as mentioned earlier, with all the concerns about the grid and then I think Jan a couple of calls ago, you did a good job running through the different regions of the country and when the electrical grid may be at capacity. And you would think -- and then you read about how the marginal cost of power, how expensive it is, you would think that demand response through generators where I like traditional, I remember early demand response is somebody had to forego using an appliance or something.

And here, there's an alternative where you just switch on the generator and the business, or the resident can keep their power, and it gives back more back to the grid. It seems like such a win-win. It's just been a little frustrating that I guess, PGM, the different grid operators have not got their act together. I mean, so is there anything that could be done with lobbying, I guess, is my question.

Jan Loeb

I don't know the answer. I mean -- but it's not going to be us.

Unknown Analyst

Okay.

Jan Loeb

I mean, we're just a simple in this situation. So yes, it could be CPower, which is now NRG or there are a lot of other utility type associations, but it's not going to be us.

Unknown Analyst

Okay.

Jan Loeb

Okay. Thank you, TJ.

Unknown Analyst

Just a couple of things from the last quarter. First, you had mentioned there's $1,000 spent on a patent. The $1,000 is obviously insignificant. Just wondering if there's any significance to the patent. Secondly, you also talked about getting an uptick in inbound calls. Just wondering if you could give us an update there also.

Jan Loeb

So on the patent, I mean, way too early to tell what its impact. But obviously, we felt that it was worth the money to spend in order to have a patented. In general, patents is a 2-edged sword, which we think about because you then officially kind of show a potential competitor about what we're doing. But in this case, we thought it was worthwhile.

And then what was your second question?

Tracy Clifford

Uptick in inbound calls.

Jan Loeb

I don't recall about uptick in inbound calls me talking about it. But I mean, we do have -- we have lots of inbound calls. I mean there's no question about it. The question is, can we turn those inbound calls into sales. I mean we have -- right now, we've been working on RFP -- we've been working on RFP for a supermarket chain that they were originally supposed to let in the middle of August. And now -- it's now end of September before they will let the RFP, and it could go -- who knows. Again, not in our control. But there's certainly significant interest in our product from generator users.

Unknown Analyst

Excuse me, Jan, you've been referring to on the latest call, you referred to RFPs for monitors outside of the realm of generators, it would be -- you would have to do some product development, but getting at least requests for whether you could develop a monitoring solution, I think, outside of the generator market. That may be what he was referring to.

Unknown Executive

[indiscernible] your clarification.

Jan Loeb

Okay. Sorry, Vijay, I was not -- yes. So the answer to that is we are, we're looking at it. But again, these are inbound questions to us. And we will -- and we are following up on every one of them. It makes sense for us, it makes sense for the customer, we will provide it. But there's no news on that customer.

Are there any other questions from the floor?

Shai Dardashti

First of all, thanks for hosting the meeting. It's nice to have people in real life and also a platform to grow. I think next year, we'll have more people to grow. As the company starts to grow through acquisition, I'm wondering if you could talk about that financing, if there is borrow capacity, how much capacity and how you think about that in terms of profit ratios and [indiscernible]

Jan Loeb

Okay. So [Shai's] question was really an acquisitions, capital, how I would allocate capital, debt, equity in terms of the acquisitions. So right off the bat, as everybody knows, we have no debt. We have $3.5 million or so of cash, and we generate cash. So we do have debt capacity. The amount of debt capacity will obviously also depend upon the company we're acquiring and their cash flow to cover debt.

We all know that debt is cheaper than equity. And since I'm a 20% equity holder, I would go and use debt before I use equity. to a degree. I'm not going to over lever the company. But if it's within the right ratios of somewhere between 2 to 3x, I feel comfortable with that. And I would use debt before equity.

If it's a larger acquisition and I have to use equity, I'm not afraid of using equity because I think the acquisition would be very accretive to us. And it would give shareholders a chance to have a little bit more liquidity. So I'm not against using equity if that's the right thing, and that's what I have to use. But I would -- depending on the size of the acquisition and the ratios, I would use debt first. Shai?

Jim Kahn

So after Ben and I frequently go to an annual meeting with a company about your size. And it's up in Boondocks and then they give us a tour of the factory. But you -- I mean so you use OEMs, I guess. And so is there any danger of them competing with you? How do you partner with them? Is there some way that you can put them in a deal and sell directly with them? Tell us a little bit about that.

Jan Loeb

Okay. So firstly, you're cordially invited to come down to Atlanta, Georgia or really Buford and tour our facility anytime you want. Okay. That's number one.

Jim Kahn

Ok, I didn’t know about this.

Jan Loeb

Okay. And Joe, you're invited-- okay. So just in terms of manufacturing, we use contract manufacturers, and we assemble everything in our own facility. So we assemble and we add the firmware, which is critical to the product in our own facility. We do our QA in our own facility and then we ship it out to our customers. So -- and we have non-competes with our contract manufacturers. So I'm not concerned about that.

So I think we're pretty well established, and we like to have some sets of control, obviously, to put together boards. There are lots of companies who put together boards. We give them the design. They put together the boards. It doesn't pay for us to be doing that ourselves. But the things that it pays for us to do ourselves, we do, and we do a very good job at that.

Joel Sklar

You had floated the idea of a name change back a few months ago.

Jan Loeb

Yes.

Joel Sklar

So my personal feeling is that your customers know you is on the metrics, and that's great. So with Acorn, I'm thinking only if you could come up with something that would be sexy to Wall Street, do it. But if you don't have anything that's real sexy, you don't do it. But that's my process.

Jan Loeb

Okay. So I don't know anything about sex. So...

Joel Sklar

Your children in life would beg to differ but go ahead…

Jan Loeb

All right. Number two is, yes, we definitely contemplated a name change. But after we went on NASDAQ and we saw the volume increase in Acorn, I had some second thoughts about that because it didn't seem that Acorn that the name was holding back anything in terms of liquidity, shareholders, et cetera. So therefore, I've held back on changing the name.

OmniMetrix, just is a name, as you said, well recognized by our customers. Unfortunately, there's a company in Canada, a small company in Canada that is called OmniMetrix. They're not in our business. And so therefore, it's hard for me to use OmniMetrix as a name for our entire company, which I would be definitely willing to do if it came to that. But right now, I don't see it that way.

The other thing is to keep in mind is if we make some acquisitions, so maybe some acquisitions are aligned with what we do, but not exactly what OmniMetrix does. So we would have that company under the Acorn umbrella, so to speak, versus the OmniMetrix umbrella. So at least for right now, it's Acorn and...

Joel Sklar

I wasn't suggesting you changed OmniMetrix. I was just saying that's a well-established name for your customers.

Jan Loeb

Correct.

Joel Sklar

And the parent name should be something that resonates with Wall Street. That was always one, yes.

Jan Loeb

Okay. So it's still up there, but it's not something that's really on the front burner as it was a few months ago.

Tracy Clifford

And the main premise was to get the word energy out of Acorn Energy and more to have something that was more indicative of monitoring, remote monitoring than energy.

Jim Kahn

Yes. What about Acorn monitoring?

Tracy Clifford

So we -- that was essentially our winner, if you will, on various surveys was we ended up with Acorn remote monitoring incorporated something along those lines, I think, Bill...

Jim Kahn

Right. I mean like not that it matters, but I have clients who say, I don't want to buy any energy stop. Well, it's not, you have to go to the song and dance about it's a misnomer. And by the way, I like the logo. It's very easy to have a good logos. So many companies have terrible logos. So I'm glad they have like Starbucks, but it's up there.

Jan Loeb

Shai?

Shai Dardashti

So there's a company in Canada, which is somewhat similar, and they've been describing using AI to improve the user experience, to optimize the hardware to create efficiencies that create better user products and better margins. Have you in any way tried to incorporate AI to optimize margin experience anywhere?

Tracy Clifford

I would just like it noted that when Jan asked me this morning, he said, what questions do you think I should consider? I said, someone should ask about AI. So there you go.

We are actually have been actively discussing with our IT department, that very same thing and how can we really leverage it to the point where it's truly beneficial and not just a bell and whistle for us to say, "Oh, we've incorporated AI." So right now, we're testing out some back end. We've just started putting a little bit of funds towards that effort. I think we'll spend a little bit more attentiveness to it in 2026.

Right now, we have some core initiatives that don't involve AI that we want to finish up before the end of 2026 -- for 2025, I'm sorry. But we're definitely exploring how to use it in a meaningful way. A lot of companies I see just want to say that they're incorporating AI, but it's not really making a difference for their end users in that.

So we have to keep in mind that the folks that are using our platform are, for the most part, not avid software application users. I mean we're talking about -- and also from the C&I standpoint. Residentially, most people are not getting on the platform on a regular basis and looking for additional tools from a C&I perspective, they are. But they like more consistency and familiarity than they do new bells and whistles because as you might imagine, when we introduced OV2 last year, from OV1 that had been out there for 20 years, it was a massive upset because people don't like change.

So we're trying to determine how can we utilize AI on the back end to create a better experience and offer more features and things of that nature that truly benefit our customer, but not cause them to feel like, oh, they're changing things again because fundamentally, folks don't want change. So that's really what we're looking at on the back end is how can we utilize it to perhaps benefit us internally to ultimately give a better experience.

So it might be in the way of data analytics, making it a little bit easier or bringing more analytics, making more analytics available for the customer that they just haven't asked for yet. So we are starting to look at it, starting to put some money in some testing things, but I don't think we'll really dig into it until mid-2026.

Bill Jones

OV2 is OmniView 2, which is the user interface.

Unknown Analyst

I'm sorry -- can you talk a little bit about the market reaction to your new equipment? It looks very snazzy on your presentation, I guess, your new Omni 1 line. And you already, I think, had the best out there, right? And this is a nice upgrade. I would think your customer base, the dealer base would be very excited, but you tell us.

Tracy Clifford

I think it's a little early to...

Jan Loeb

I think it's a little too early...

Tracy Clifford

We're just in beta testing with a customer.

Unknown Analyst

Oh Okay. I thought it was launched in June, but it hasn't really.

Tracy Clifford

It's launched in beta.

Unknown Analyst

Okay. Okay

Tracy Clifford

So we're taking feedback currently. So, I think it will be very meaningful for us in '26. But right now, we're in the testing phase. So we'll take feedback and probably make some tweaks depending on what feedback we get and then do a harder launch in '26.

Jim Kahn

May as well keep asking questions. I don't want to let the place go silent

Jan Loeb

We could end the meeting.

Jan Loeb

You don't have to worry.

Unknown Analyst

I heard Jan's stomach a couple of times cramped...

Jim Kahn

It's Shai who really knows this company. I've owned it for a while, I still don't know. So this big contract that you got, is that at all -- is there any subscription as a service element? I mean, is that all recurring revenue or...

Jan Loeb

Yes.

Jim Kahn

It is recurring revenue.

Jan Loeb

Yes. Everything we do is recurring revenue. That's the whole -- wind up our company.

Jim Kahn

Well, the equipment is -- the monitoring part of it is recurring.

Jan Loeb

Yes. I'm saying we sell a piece of equipment, that's an equipment sale. And then we monitor that equipment for many, many years. So yes, the telecommunication company, we sold them a piece of equipment and we monitor it hopefully for the next 7 to 10 years.

Jim Kahn

What is the breakdown of how much do you get for the equipment versus how much you get for the...

Jan Loeb

So we've said that in the roughly $5 million contract, 80% is equipment, 20% is monitoring. And the 20% continues on into the future.

Jim Kahn

But I mean, look, I'm not being skeptical or anything. But there's what have you done for me lately kind of aspect to it. So if you have 80% is the equipment in order to sort of have rising revenue and earnings next year, you're going to have to make another sale. Is that correct? Another onetime sale?

Jan Loeb

Correct. I mean that's what I talked about in my remarks is the big question is post the telecommunications, how do we grow the company? Well, firstly, the company is going to grow in and of itself, meaning depending on how you define growth, we have more connections every year.

Every time we sell a new box, we have a new connection and that monitoring revenue should continue to grow. And the monitoring revenue is really what the value of the company is. If you look at multiples, a onetime sale is great and lots of companies that you know that have lots of value and it was a onetime sale. The value of our company is that we have, so to speak, 2 bites of the app. We have a onetime sale, which we have a very nice gross profit margin on, but we have ongoing monitoring, which we have 90% profit on out into the future.

Jim Kahn

So I assume you reached out to the competitors of the company that you made this onetime sale and you sort of validates that you made this onetime sale. So...

Jan Loeb

Yes, we talk to every telecommunications company that's out there, and we have business with every one of them as well, not to the degree that we have with this company, but in different areas, we do different things with all telecommunications companies.

Unknown Analyst

With proxy document language that has a different [indiscernible] change of control— the change of control provision. So that's public data. Can you talk a bit more about how you think about staying public versus not staying public?

Jan Loeb

We're staying public, until we know. We have the $60-plus million of NOLs. So if we don't stay public, we lose our NOLs. But if somebody wants to buy the company, we're open for business all the time. But at least right now, our goal is -- again, we wouldn't have gone to NASDAQ. We wouldn't pay the money to go to NASDAQ unless we thought that there was a reason for it and it's not just a kind of 1-year type of thing.

So -- but we recognize that having ARR, that's annual renewable revenue is a very valuable thing, and there are many companies that would like to have ARR that we have. And if you look at all the public trade companies that our Cracked IR team have put on the deck, none of them have the percentage of ARR that we have. I mean, 45% of our business of our revenue is ARR. So we'll see what happens. But right now, we're public.

Unknown Analyst

Yes. One other question. Has the company considered expanding the scope of what it monitors remotely. For example, we mentioned the grid earlier. There is such a thing that I've encountered in my studies called power quality management or monitor. I'm not an electrical engineer, so I can't describe amperes and volts and that sort of thing.

But that's what the power quality monitoring does or accomplishes. There's a company in Long Island that I'm familiar with that sounds a lot like you, but they monitor power quality remotely. Have you considered -- it just seems there's a lot in the world that needs to be monitored in this stage of unreliability and you found a good niche. Could you expand beyond that other things?

Jan Loeb

Yes. Firstly, I did not find a niche. The founder of the company, Harold Jared found the niche. So I don't want to take credit for that. But we have a great system for what we do. I would not say that our system -- first, I don't know what exactly your power quality company actually monitors.

But we've thought about adjacent things that we can monitor generally off of the control panel of an engine. So like we monitor an air compressor, right? So we'll do things because that is our niche. If somebody comes to us and says, can you provide the solution, and we think we can without spending millions of dollars on R&D in 2 years, we might do it. But we're not an R&D company. We're here to make money. And TJ, you our last question.

TJ Binkowski

Yes, absolutely. Thanks for making me that. Yes, absolutely. Just a quick question about the balance sheet. Obviously, you let your line of credit expire. I think it was 2020, 2021, something like that. Do you plan on using debt if you make an acquisition and/or do you plan on re-levering the balance sheet in the future or at all ever?

Jan Loeb

Yes. If we make an acquisition, we will potentially use debt to some degree. But I'm -- my CFO won't let me re-lever the balance sheet unnecessarily.

Tracy Clifford

And that was actually AR factoring that we had.

TJ Binkowski

Okay. So ideally, your going-forward state would be to have no debt and to fund everything through cash.

Tracy Clifford

Not acquisitions. We would get a line or debt to finance the acquisition. But not for long…

TJ Binkowski

I appreciate your time even more than generous.

Jan Loeb

Okay. With that, let's wrap up today's meeting. Thank you all for attending. If you wish to contact us, you can reach us or our IR team. And I look forward to seeing you all at the 2026 Annual Meeting and of course, talking to you on our quarterly calls. And if you have any questions, feel free to reach out. Thanks a lot.