

Acorn Energy, Inc., Q1 2026 Earnings Call, May 07, 2026

Company Participants

Tracy Clifford - Chief Financial Officer & COO

Jan Loeb - President, CEO & Director

William (Bill) Jones, Investor Relations

Conference Call Participants

Joel Sklar, Private Investor

Richard Sosa, Private Investor

James Kahn, Crown Financial Partners

Operator

Good morning, and welcome to Acorn Energy's First Quarter 2026 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, Regina, and thank you all for joining us today. First, I'd like to remind everyone that today's remarks, including responses to questions, 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 results and financial performance include general risks such as potential disruptions to business operations or changes in consumer or 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, competition or shifts in the macroeconomic or financial environment. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are based on management's current beliefs, assumptions and information that is available as of today. There can be no assurances that the company will meet its growth targets or other strategic goals and objectives. The company undertakes no obligation to update or revise such forward-looking statements to reflect future events or specific circumstances that may occur after today.

For a more detailed discussion of risks and uncertainties that may affect our business, please refer to the Risk Factors section of our most recent Form 10-K and our Form 10-Q for the first quarter of 2026, which are available online at www.sec.gov or on our own website. Now I'll turn the call over to Jan Loeb, CEO of Acorn and OmniMetrix. Jan?

Jan Loeb

Thank you, Tracy, and to everyone for your interest in our company. Our Q1 2026 results reflect continued expansion of our base of monitoring endpoints, offset by an anticipated decrease in year-over-year hardware revenue related to our material cell phone provider contract.

We recognized \$93,000 of hardware revenue from this customer in Q1 2026 related to our original contract and now hardware shipments for our initial contract are largely complete. This compares to \$876,000 of hardware revenue from this customer in Q1 2025. Our Q1 2026 results also reflected \$167,000 of monitoring revenue from this customer compared to \$69,000 in Q1 2025 related to first year monitoring revenues on the original contract.

Based on our ongoing dialogue with this customer, we are optimistic about securing further hardware deployments and related revenue that will build on our initial contract starting in Q2 2026. It has always been our goal to build on this customer opportunity, so this initial follow-on activity is a good indication of the strength of our relationship and the customer satisfaction with our solutions and the services we have been providing for over a year. We currently expect incremental hardware revenue from this customer in the range of \$350,000 to \$500,000 in 2026. Tracy will review our financial highlights but I would like to address on issue upfront regarding noncash management and Board compensation in Q1. Based on our record financial performance in 2025, accomplishing our NASDAQ uplisting and the completion of the AIO partnership agreement on January 1, the Board approved an increase in our 2026 stock option awards to compensate management and the Board in lieu of additional cash compensation or board fees.

These options were issued at a market price of \$19.02, so their potential value is tied directly to value creation for all shareholders. The 50,000 options issued to management vest over 12 quarters. So higher stock comp expense will have an impact on financial results through the third quarter of 2028. If you exclude the impact of noncash compensation, Acorn's consolidated results would have been profitable in Q1.

And the company continues to generate cash as reflected by \$53,000 of cash provided by operating activities in the quarter and a stable cash balance of \$4.3 million at quarter end. In past communications, including our year-end news announcement, we have reviewed our 5 complementary growth initiatives, one of which is our ongoing pursuit of accretive M&A opportunities to expand our monitoring product offerings, market reach, and revenue and customer base.

Through this process, we identified the AIO opportunity, which we decided to pursue as an acquisition of commercialization and distribution rights through a technology partnership. We are now actively working to bring their industry-leading multifaceted suite of products for cell towers, data centers and utility substations in North America for the first time. These infrastructure solutions protect against theft, power issues, environmental and other risks and maximize energy utilization.

We believe the acquisition of these rights is an ideal way to leverage our 20-plus year reputation and established base of customers and substantially expand our capabilities and reach within the North American infrastructure market in a focused and highly capital-efficient way. We are currently working to finalize sales and marketing materials for the OmniMetrix branded solutions.

We are initially targeting cell tower operations where we have a good base of existing customer relationships. Utilizing that experience, we will then pursue opportunities in fast-growing markets for data-driven and utility scale infrastructure management. Relative to our

focus on backup generators at cell towers, this new suite of solutions provide remote oversight for the full cell tower campus.

Our solutions provide actionable insights through advanced analytics, machine learning and comprehensive real-time monitoring that significantly reduce downtime, improve maintenance processes and extend asset lives, lowering cost and delivering measurable ROI. Based on our initial assessments and customer discussions, we view theft as perhaps the most pressing issue facing cell tower operators today.

Theft alone can potentially cost cell tower operators hundreds of millions of dollars annually and it is a growing and largely unaddressed problem in the United States. As copper, fuel and assets costs rise, it's widely expected that theft could become an even bigger risk management issue in North America as it already is on other continents.

To combat this risk, we are bringing to market the strongest available solution backed by years of proven performance. We are still working through final hardware and services pricing models, but given the expanded scope of the AIO solutions, we currently expect our average AIO sale to be 5x to 6x the average sale of existing OmniMetrix products.

Given expected pricing and the scale of the opportunity, it provides a very meaningful growth potential for our company. We currently have our first 2 AIO-based tower sites live and running for customer demonstrations. For those of you who may or may not be familiar, cell towers are typically managed by independent tower companies who own and operate the physical structure and lease space to multiple wireless carriers.

The 2 sites we are running are both in the Atlanta area with an existing telecom customer, where we are monitoring their shelter or hut within the cell tower as well as the front gate. Our dashboard shows everything, including stats on power systems, fuel levels, battery voltage, operating equipment, temperature, humidity, HVAC run time, flood detection, et cetera, along with live feeds from security cameras that monitor physical access.

We have secured permission to take prospective customers to these sites and expect to begin these efforts in the coming weeks. As I mentioned, we are in the process of advancing our program to launch these products in the U.S., including fine-tuning features and alerts, the sales approach, installation protocols, customer materials, as well as sales and training collateral that our team will need to scale this offering.

The AIO team has been to Atlanta for several weeks to train and work with our engineering, tech support and sales and marketing teams to set us up for success in this product launch. In terms of our financial reporting, we have set up a separate reporting segment called Infrastructure Solutions, or IS, to track this line of business, which you will note in our 10-Q. We do not expect revenues from this segment in the first half of 2026. We continue to believe that attractive secular tailwinds should support our value propositions and growth potential for years to come. Companies are increasingly focused on ensuring reliable access to energy infrastructure and the compliance support they need.

At the same time, broader demand drivers such as AI, data centers, electrification, EV adoption and reshoring continue to strain an aging U.S. grid, compounded by severe weather trends, all of which underscore the importance of energy resilience. In March, we saw severe

storms across the Midwest and Mid-Atlantic leave more than 1 million customers without power in the PJM and MISO territories.

Even with significant investment, it will take years, if not decades, to address these challenges, and we believe this positions us well, both for the near term and longer term. Given substantial unmet needs in our current markets plus opportunities in adjacent addressable markets, we believe 20% average annual revenue growth over a 3- to 5-year period remains achievable. Further, our capital-light, cost-efficient and scalable business model positions us to bring roughly 50% of each incremental revenue dollar from our existing business to operating income line. As a small company, large hardware shipments will make our quarterly results down, but our high-margin recurring revenue model supported by strong secular trends positions us well to continue to deliver growth and value to our shareholders. With that, I'll turn the call over to Tracy for financial and operational insights. Tracy?

Tracy Clifford

Thank you, Jan. The headline takeaway from our Q1 2026 results is the continued strength of our recurring monitoring revenue stream and the improved gross margin profile of the business set against a challenging year-over-year hardware comparison driven by the timing of our largest contract.

I'll also point out that our OmniMetrix operating subsidiary remained solidly profitable in the quarter, delivering operating income of \$395,000. We provided a fair amount of detail in today's news release and in our Form 10-Q, so I'll just touch on a few of the key highlights.

Focusing on Q1 '26 versus Q1 '25. Total revenue was \$2.227 million, down 28.1% from \$3.098 million in Q1 '25. The decrease was driven by a \$1.019 million or a 55.7% decline in hardware revenue. Primarily attributable to the timing of deliveries under our material cell phone provider contract partially offset by \$148,000 or 11.7% increase in monitoring revenue. Monitoring revenue grew \$1.417 million, reflecting continued expansion of our installed base of monitored endpoints. Hardware revenue was \$810,000, which included \$556,000 of new hardware sales and \$110,000 from the amortization of deferred hardware revenue. The latter compared to \$315,000 in the prior-year period as we approach the final recognition of the remaining deferred hardware balance later this year.

Gross margin improved 510 basis points to 80.2% from 75.1% in Q1 2025, reflecting both the higher mix of monitoring revenue, which carried a 94% gross margin in the quarter and a lower contribution from material contract hardware. Operating expenses rose 11.2% to \$1.914 million, driven by a \$228,000 increase in SG&A, partially offset by a \$36,000 reduction in R&D following completion of the new Omni and OmniPro development programs.

The SG&A increase was primarily due to \$136,000 increase in noncash stock-based compensation expense related to stock option grants to officers and directors plus \$111,000 in higher OmniMetrix SG&A, reflecting incremental personnel and technology investments, partially offset by lower commissions.

OmniMetrix segment operating income, the combined operating results of our PG, CP and IS segments was \$395,000, demonstrating the continued profitability of our core operating subsidiary even in our seasonally lowest revenue quarter and even after absorbing

approximately \$50,000 of operating expense in our pre-revenue Infrastructure Solutions segment, which included the hiring of a new sales manager in February for the IS segment.

On a consolidated basis, including unallocated corporate headquarters costs, we reported a net loss of \$77,000 or \$0.03 per basic and diluted share compared to net income of \$464,000 or \$0.19 per basic and diluted share in Q1 '25. The Q1 '26 results include \$197,000 in noncash-based stock compensation expense versus \$61,000 in the prior year period.

We recognized an income tax benefit of \$25,000 in Q1 '26 compared to income tax expense of \$154,000 in Q1 '25. We did not record any change to our deferred tax asset valuation allowance in the quarter. We continue to maintain a partial valuation allowance of \$10.3 million, leaving a meaningful base of NOL and capital loss carryforwards to support future growth and potential M&A initiatives.

Turning to the balance sheet and cash flow. We ended the quarter with cash of \$4.257 million compared to \$4.454 million at year-end 2025. Excluding deferred revenue and deferred cost of goods sold, net working capital was \$6.024 million at March 31, '26, versus \$6.184 million at year-end, and I remind you all, we remain debt-free.

Q1 cash flow from operations was \$53,000. We also used \$260,000 in investing activities, of which \$250,000 represented the upfront payment for the acquisition of the exclusive commercialization and distribution rights under the AIO technology partnership agreement executed January 1 with the remainder of the other capital items. Stock option exercises generated \$10,000 of financing cash inflow.

OmniMetrix's deferred revenue or what we refer to as our backlog was \$3.269 million at quarter end, of which \$2.934 million is expected to be recognized as revenue in the next 12 months. Operationally, our next-generation Omni and OmniPro generator monitors and our RAD Ex cathodic protection product are all built on our new OCOM proprietary communication core are now being deployed in the field.

These platforms reduce installation time, lower service costs and enhance reliability, which strengthens our value proposition on our competitive position as we move further into 2026. Within the Infrastructure Solutions segment, as Jan mentioned, we now have 2 telecommunications tower sites live for customer demonstrations.

We're really excited about this opportunity to bring AIO solutions to North America under the Omni brand and the broader set of growth opportunities ahead of us. I very much look forward to updating you as we progress in the coming quarters. Operator, at this time, please prepare the lines for questions. Thank you very much.

Operator

[Operator Instructions] We take our first question from the line of Joel Sklar.

Joel Sklar

Let me start off by saying I'm suffering with a bad head cold, so if I'm at any point I'm inaudible or cough, please let me know and bear with me. First, just a comment in that your option package. I'm an investor in a lot of other public companies, and I don't think it's in any way unreasonable given the success that OmniMetrix and Acorn has had. I think it's wonderful that

your leadership is going to participate in the future success of the company. And I don't think the number of options is in any way out of line. So that's my opinion.

Question, we've seen very long sales cycles for the OmniMetrix generator monitoring equipment. Given that the -- your new infrastructure solutions partnering with AIO are going to maybe be even greater outlays, is there a chance that we're also going to see a very long sales cycle there? Or do you feel that the solutions that you're offering in this infrastructure segment are so compelling and urgent that we'll see a shorter sales cycle?

Jan Loeb

Joel, thank you very much for your comments, and I hope you feel better. The answer is we're not 100% sure yet. Yes, typically, I would say that the cell tower solution will have as long a sales cycle as our generating monitoring solution just because we're dealing with large corporations. And so there's just a lot of tape to get through with large corporations. Offsetting that is that theft is really a very big problem that they are now beginning to address.

So it could be that because of the need, the sales cycle will be quicker. I just don't know yet because we haven't really started to get into the weeds with our customers. But certainly, the technicians that we've spoken to in the field as we were putting up these units, they certainly feel that there is a strong and very current need for the product.

Operator

[Operator Instructions] Our next question will come from the line of James Kahn.

James Kahn

Well, so you've got a lot of new initiatives that are interesting. I just wanted to ask about -- you had that big sale about a year ago to the large customer and then they didn't renew in September. Can you just give us some background on what happened there? Was it the product that didn't really work or -- why that one did not get continued?

Jan Loeb

Hi James, your basic assumptions need to be corrected. So, the contract was for approximately between 5,000 and 10,000 monitoring units. They wanted us to ship it to them within a year. Initially, when we were negotiating with them, it was 2 years, but then they changed it, they wanted to have it all within a year. And so we did that.

And so Q3, Q4 of 2024 and Q1 and Q2 of 2025, we basically shipped all the product to them, which doesn't actually mean that that's when all of the total revenue of that was recognized because they need to -- it needs to go into the system, whatever. But we finished that major contract, and that's that.

Now -- and what I've said in my prepared remarks here is that they have come back to us in 2026 and that I anticipate that we'll have another \$350,000 to \$500,000 worth of equipment sales. Now this is not monitoring because we continue to monitor everything. So that's approximately, again, call it, 7% to 10% of the original order. They've now come back for additional stuff.

So, I mean they have installed the original number of units that we've sold to them. And now as they're putting it into new cell towers, they're ordering new stuff from us. So we have a very

good relationship with them. The product works very well. They're very happy with it, and they continue to be a very big and happy customer of ours.

Operator

[Operator Instructions] We'll take a question from the line of Richard Sosa.

Richard Sosa

Another great quarter. Love to see monitoring revenue continue to trend upward. Sorry, I did get on the call really, really late. Just on the AIO, did you guys discuss -- and I can go back to the notes afterward, but did you discuss the go-to-market strategy for the product?

Jan Loeb

We mentioned it briefly. We mentioned it briefly that our main focus is going to be telecom customers because we already have them as customers. So it's an easy -- we don't have to sell the OmniMetrix name to those customers. So that's going to be our first target. And we have these 2 demo sites up and live that we take people to. So that's going to be our first strategy. Data center is going to be our second strategy.

AIO has a very good data center product, and that will be -- after telecom, we're going to focus on data centers. And then third is utility substations. So that's kind of how we see it. We've already put out some initial phone calls to our customers. We're working on the pricing models, CapEx model, and an OpEx model that we're going to roll out in the next few weeks. And so that's kind of our game plan.

Richard Sosa

All right. Very exciting. And I noticed in your 10-Q that you did break out -- you are breaking out in IS division going forward. Is that something you had to do or do you just feel strong enough that it was worth doing?

Tracy Clifford

I'll take that, Jan.

Jan Loeb

Okay, take it.

Tracy Clifford

I mean our expectation, Richard, is that this will be a material contributor moving forward. So we felt like in an abundance of transparency, it was important to carve that out from the initiation point to monitor this segment and give our shareholders the opportunity to see that from the beginning.

Richard Sosa

Okay. That's great. So you didn't have to do it, you just felt strongly enough that it was worth doing for transparency.

Tracy Clifford

Well, from the statement of have, you evaluate whether something is material. And certainly, it's not material today because the expenses we've spent so far wouldn't be material from the context of looking at it as a percentage of the total. But we just felt like it will be material. That's

our plan. That's our hope. That's our focus, and we felt like doing that from the beginning was the right thing to do.

Richard Sosa

Yes, it definitely makes things easier. Perfect. All right. Well, continue the good the work. I look forward to future updates.

Operator

We have a follow-up from the line of Joel Sklar.

Joel Sklar

Just a couple of quick follow-ups. One is sort of leveraging off of Richard's question. I was curious, this may be a little nit-picky, but your partnership with AIO, is that with Acorn, the parent or with OmniMetrix? So in other words, I know your -- the branding is going to be OmniMetrix. I don't know whether that means it falls into OmniMetrix and we own 99% of what we wind up getting from that partnership or whether it's under Acorn and we get 100%. That's the first question.

Jan Loeb

Okay. It's going to be under -- I mean, everything is going to be done under OmniMetrix, put it that way. Meaning the sales, the sales manager that we've hired for AIO is under OmniMetrix and is resident in Atlanta. So -- and it's going to be -- have an OmniMetrix brand name. So we view it as an OmniMetrix product.

Joel Sklar

Okay. So your former CEO of OmniMetrix will be happy about that, I guess. The other question is, can you tell us whether -- I expect the answer is yes, but whether the existing AIO sales model is also a subscription model where there are customers overseas, they make money from both -- certainly from hardware sales, but then they also get continuing revenue from monitoring and maintenance and whatnot?

Jan Loeb

Yes. So their model is that they mainly sell the equipment and then they have what they call SLA, they have an ongoing revenue stream as well. We don't think it's going to be as big as our monitoring revenue because we're going to be offering more services.

And we also, as I said, might have an OpEx model where we will roll in the complete package, meaning equipment monitoring, et cetera, for one price, one monthly price. So our model is going to be a little bit different than their model because we think our market is a little bit different than the markets that they address.

Joel Sklar

Okay. Great, thank you. At the risk of getting greedy, just one more question. So an existing cell tower or other customer who would potentially be a customer for your generator monitoring came to you and they wanted generator monitoring as well as your full infrastructure solution through the AIO partnership. Will you be then -- will you need to integrate the OmniMetrix generator monitoring or -- my impression is that the infrastructure solution will -- as the name of the company implies, All-In-One, will encompass that. Can you comment on that?

Jan Loeb

Yes. So they have their own generator monitoring solution and we have our own generator monitoring solution. Ours is a little bit more comprehensive than theirs. And we will be integrated in the software. So for example, the 2 cell towers that we are on as the demo models happen to have our generator monitors in them. And so they are integrated into the software system of AIO.

Joel Sklar

Right. So your customers will get the best of both worlds that they'll get the maybe slightly more advanced and the feature-driven current OmniMetrix generator monitoring together with the new infrastructure solutions provided by AIO, if I understand correctly.

Jan Loeb

Yes. We hope our customers believe the same thing.

Operator

[Operator Instructions] While we compile the roster, I'll hand the call over to Bill Jones for any pre-submitted questions.

Bill Jones

Thank you, operator. We do have a pre-submitted question from a private investor. And the question is, over the past 2 quarters, companies like Generac and Caterpillar have both reported greater than 20% year-over-year growth in their power generation segments, along with increasing backlogs, primarily selling into C&I customers in the data center market.

Are you seeing any opportunity whatsoever in OmniMetrix's ability to attach itself to this opportunity? I understand that there is the AIO partnership, which in theory helps to address this market, but would be great to hear any further thoughts on this.

Jan Loeb

Sure. So as I said in previous calls, we at OmniMetrix have not been focused on the data center market because our product is a remote monitor and most of the data centers have 24/7 people on-site monitoring their equipment, their servers, et cetera. And we only had one product, a generator monitor. And so that was not a focus of ours.

With the AIO product, AIO has, again, a full suite of products for a data center. And one of the other things we are getting with the AIO partnership is a NOC. So, we think that the data center market is a market that we can address, and we hope to address it, shortly. But again, as I said before, it's -- we want to first tackle the cell tower market, and then we would go after the data center market. Sorry, I said NOC, that is a network operations center.

Bill Jones

Excellent. And the second question is regarding potential OEM white labeling and bundling progress that you've mentioned in the past. Could you provide an update on any ongoing dialogues for bundling OmniMetrix solutions with new OEM equipment?

Jan Loeb

Yes. I have no update. We continue to have discussions with 2 OEMs, but no update to report.

Operator

And this concludes our question-and-answer session. I'll now hand the call back over to Jan for any closing comments.

Jan Loeb

Thank you all for joining today's call. We appreciate the continued support from all of our shareholders. If you have any follow-up questions, please reach out to myself or to our IR team, whose contact information is in today's press release. We hope to meet some of you next month at the Planet MicroCap Showcase that we are planning to attend on June 17 and 18 in Las Vegas. And as always, we look forward to updating you on our next conference call. All the best.

Operator

This concludes today's call. Thank you all for joining. You may now disconnect.