Acorn Energy, Inc., Q2 2026 Earnings Call, Aug 06, 2026

Company Participants

Tracy Clifford - Chief Financial Officer & COO
Jan Loeb - President, CEO & Director

Conference Call Participants

Joel Sklar, Private Investor
Kris Tuttle, Blue Caterpillar
Mason Hill, Private Investor
Matt Dodson, Private Investor

Operator
Good morning, and welcome to Acorn Energy's Second Quarter 2026 Conference Call. 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 our call.

I'll remind everyone first that today's remarks, including responses to questions, contain forward-looking statements. Such statements involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. 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 macroeconomic or financial markets. 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 beliefs, assumptions, and information that is available as of today. There can be no assurances that the company will meet its growth targets or its other strategic goals and objectives. The company undertakes no obligation to update or revise 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 recently filed Form 10-K and our Form 10-Q for the second quarter of 2026, both of which are available at www.sec.gov and on our website.

Now I'll turn the call over to Jan Loeb, CEO of Acorn and OmniMetrix, for further comment. Jan?

Jan Loeb
Thank you, Tracy. Good morning, everyone, and thank you for participating on today's call. Our second quarter results demonstrate the underlying strength of our business model, centered on high-margin recurring monitoring revenue driven by a growing base of hardware deployments, which can be variable in their size and timing. As expected, our year-over-year revenue comparison was impacted by strong year-ago hardware deployments related to the material cell phone contract.

Total second quarter revenue of $2.49 million reflected 8% growth in monitoring revenue, which is our highest margin and most predictable revenue stream. Hardware revenue was $1.06 million in the second quarter versus $2.21 million in Q2 last year. The year-ago period reflected over $1.3 million in hardware revenue related to the last significant shipments and the fulfillment of the initial purchase orders under the material contract, as compared to follow-on purchase orders for hardware, which resulted in revenue from the cell phone provider totaling $263,000 in this Q2 2026.

Our Q2 gross margin improved by 750 basis points to over 82%, principally driven by the increase in monitoring revenue as a percentage of total revenue. Monitoring generated a gross margin of over 90% in the quarter, though moving forward, I would expect our blended gross margin to average more in the 75% range as we make progress in expanding hardware deployments.

On the bottom line, we reported second quarter net income of $294,000 or $0.12 per diluted share. And for the first 6 months, our net income was $217,000, or $0.09 per diluted share. These results reinforce our ability to maintain solid profitability and cash generation while investing in future growth.

For example, in the residential market, we are advancing our growth potential through a new partnership with Champion Power Equipment. The collaboration makes our monitoring and control solution the standard monitoring option on their popular aXis and fleX lines of home standby generators. Champion has a strong reputation for reliable, high-quality, and competitively priced portable generators, which have sold millions of units over the years. Recently, Champion has developed whole home solutions featuring advanced technologies such as fleX for better load management and fuel efficiency, durable all-aluminum enclosures for weather resistance with extended warranties. By integrating our monitoring capabilities as the standard option, Champion customers can gain real-time visibility into generator status, fuel levels, battery condition, maintenance alerts, and remote control options through our OmniView interface.

Given Champion's accelerating growth in the residential standby generator market, we believe this partnership provides significant long-term growth potential that should begin contributing to our results in the current quarter. Pricing under the agreement is based on an assumed annual purchase volume of 3,000 units, but the agreement does not obligate Champion to purchase a minimum quantity. Champion is planning to issue a press release today regarding this partnership.

Turning to another exciting initiative that could have a transformative impact on our business. We are particularly thrilled about the formal launch of OMNI360, our comprehensive remote monitoring and control platform for cell tower campus security and other critical infrastructure. After investing several months in customization, product enhancements, and integration, OMNI360 is now available in 3 tiers, Nova, Horizon, and Zenith, offering different capability levels and each backed by a 24/7 network operating center, a sophisticated AI-supported software suite and mobile app access.

OMNI360 delivers a much broader suite of capabilities that builds on our industry-leading generator-focused solutions to provide unified turnkey management of an entire site.

Capabilities include advanced environmental monitoring control, temperature, humidity, HVAC, smoke detection, and flood sensors, robust campus security with AI-powered cameras, site access control, intrusion sensing, 2-way audio, and live incident response. It includes comprehensive power management solutions such as fuel level sensing and usage prediction, commercial power automatic, transfer switch monitoring, battery health, transformer temperature and voltage, current balance, imbalance detection, along with smart energy and cooling optimization tools. OMNI360's all-in-one approach delivers real-time visibility, automated controls, and actionable insights that help operators cut energy costs, reduce unnecessary truck rolls, prevent theft, and ensure compliance.

What makes OMNI360 particularly exciting is that, it is the only solution that brings together all of these functions into 1 platform and provides 24/7 monitoring and support. While there are a range of hardware solutions already in the market, they are typically limited to just a few functions, and they do not include a monitoring capability. We believe these limitations create very exciting opportunities for a more robust solution that also delivers mission-critical real-time data and controls to cell tower owners and tenants.

We are actively introducing OMNI360 across the industry. For example, we'll showcase it at this year's ISE EXPO, a gathering of telecom sector leaders taking place in Nashville later this month. While the breadth of the solution and typical enterprise sales processes suggest a longer sales cycle, early feedback has been very positive, and we see substantial potential in this market.

In addition to these efforts, we remain active in seeking and reviewing complementary accretive M&A opportunities using a very disciplined financial and operational framework. Once we've identified an appropriate target that meets our operational criteria, the challenge is in negotiating appropriate terms that create value for shareholders. We have lost out in several situations where another bidder was willing to pay substantially more than we thought the assets could justify, and we are unwilling to take such risks. By their nature, discussions of this type can take many months, and the outcomes are impossible to predict until the very end. And as a result, there's little we can say while discussions progress. The same is true for our efforts to secure OEM bundling opportunities, which we continue to pursue as we believe these are worthwhile efforts to continue to increase our number of monitoring connections.

The secular tailwinds supporting our business remain in place. Increasing frequency of severe weather events, combined with growing power demand from AI data centers, electrification, and reshoring, continue to highlight the critical need for resilient infrastructure. In just the past few weeks, extreme heat and thunderstorms have strained the U.S. power grid, causing hundreds of thousands of outages across multiple regions. These events underscore both the vulnerability of the grid and the value of reliable backup systems and remote monitoring.

Additionally, attacks on critical communications infrastructure reached record levels in 2025, and we estimate that cell tower theft losses will reach approximately $500 million industry-wide in 2026, including copper and equipment theft. OMNI360 is purpose-built to help operators combat these exact challenges, increasing reliability, security, and operational efficiency. Also today, 1 year in, AI already represents 4% of all cell network traffic. Imagine what it'll be in 3 years. This points to the critical importance of protecting cell towers and related infrastructure.

Looking ahead, we remain very optimistic about our long-term growth potential. With the significant hardware revenue contributions from our large national cell phone provider now cycled through our year-ago comparison periods, we expect more favorable revenue and earnings comparisons moving forward. Combined with the momentum in our monitoring base, the launch of OMNI360, the Champion partnership, our internal sales strategies, and our ongoing M&A and OEM efforts, we believe we have the pieces in place to achieve growth that more than exceeds and aligns with our 3- to 5-year target of approximately 20% average annual revenue growth.

Further, our capital-light, high-margin, recurring revenue model and significant NOLs give us strong operating leverage, allowing us to drive meaningful incremental profitability as we scale. We are very enthusiastic about the progress across all fronts and the opportunities that lie ahead for Acorn and OmniMetrix.

And now, I will turn to Tracy for her financial and operational insights.

Tracy Clifford
Thank you, Jan. A theme for our Q2 2026 results is the steady progression of recurring monitoring revenue and our strong gross margin performance. On lower revenues, OmniMetrix, our operating subsidiary, again delivered solid profitability with operating income of $722,000 in Q2 '26 versus $1.2 million in Q2 '25, and significantly better than $395,000 in Q1 '26.

I'll now touch on a few key points. Total revenue was $2,489,000, down from $3,525,000 in Q2 '25 and up from $2,227,000 in Q1 '26. This year-over-year decline stemmed from a $1,141,000 decrease in hardware revenue, which was due to the impact of the sales last year under the material contract that were largely fulfilled prior to 2026, partially offset by $105,000 rise in monitoring revenue.

Monitoring revenue rose 8% to $1,425,000 as our installed base of monitored endpoints continued to expand. Hardware revenue of $1,064,000 included $1,000,011 from sales of new hardware and accessories, and $53,000 from the amortization of deferred hardware revenue. Amortization of deferred revenue was $270,000 in the prior year period, a year-over-year variance of $217,000. We expect to recognize our remaining deferred hardware balance of $5,000 in Q3 '26, which will be compared to $215,000, which was recognized in Q3 2025.

Gross margin increased 750 basis points to 82.4% from 74.9% in Q2 '25, reflecting the higher relative contribution of monitoring revenue, which resulted in gross margin greater than 90% in the quarter.

Operating expenses declined 1% to $1,675,000 from $1,692,000, with R&D expense decreasing by $26,000, partially offset by slightly higher SG&A expense. The modest SG&A increase reflected higher stock-based compensation and personnel costs, partially offset by lower commissions on reduced hardware volume. The decline in R&D expense primarily reflected lower spending after the completion of Omni and OmniPro product development in 2025, and prior to the start of our next product initiative.

OmniMetrix segment operating income, the combined operating results of our PG, CP, and IS segments, the IS segment being the Infrastructure Solution segment, was $722,000, demonstrating the profitability of our core operating subsidiary, even after absorbing approximately $30,000 of operating expense in our pre-revenue Infrastructure Solution segment.

On a consolidated basis, including unallocated corporate headquarters costs, we reported net income to Acorn stockholders of $294,000 or $0.12 per diluted share, compared to net income of $720,000 or $0.28 per diluted share in the year-ago quarter. Q2 '26 results included $99,000 of non-stock-based compensation expense -- noncash stock-based compensation expense versus $32,000 in Q2 '25.

For the six months ended June 30, 2026, net income to Acorn stockholders was $217,000 or $0.09 per share, compared to $1,184,000 or $0.47 per share in the first half of 2025. Six months results included $296,000 of noncash stock-based compensation expense versus $93,000 in the prior year period.

Now looking at liquidity and cash flow, our cash balance was $4,478,000 at June 30. Excluding deferred revenue of $2.7 million, our net working capital improved to $6.4 million versus $6.25 million at December 31, 2025, and we remain debt-free. In the first half of 2026, we generated $277,000 of cash from operating activities, used $263,000 in investing activities, including the $250,000 related to the exclusive license agreement for OMNI360, and received $10,000 from financing activities tied to the exercise of stock options, producing a net cash increase of $24,000.

With respect to our deferred tax asset, we continue to maintain a partial valuation allowance of $10.3 million, leaving a meaningful base of NOL and capital loss carryforwards to enhance cash flows to support future growth and potential M&A initiatives.

We're very excited about our new product and other strategic opportunities we discussed, as well as the prospect of returning to top line year-over-year growth comparisons in the second half of 2026.

Operator, you may now prepare the lines for questions. Thank you.

Operator
The first question will come from Joel Sklar, Private Investor.

Joel Sklar, Private Investor
Nice quarter. Very excited about the growth prospects here. First question is that agreement with Champion, that partnership, it almost sounds like an OEM deal, but you're not calling it one. So can you explain what I'm missing in terms of it not being an OEM deal?
And then also, with the rollout of OMNI360, I'd like to get some more color on how it's going. I know you went to that Rural Wireless trade show recently. Hopefully, you got some good feedback there. What's the receptivity to it, and what does the competition look like?

Jan Loeb
Joel, thank you very much for your kind words. Firstly, on the Champion. We're not calling it an OEM because it's our own product being sold as currently constituted. So we had a discussion with Champion management, whether they wanted to have it branded as a Champion monitor, and they said no, they didn't. They wanted to keep it as an OmniMetrix monitor because they wanted -- the OmniMetrix name in the industry carries some real cachet, and they thought it would be better for them and their dealers that they sold their aXis and fleX home backup generators with an Omni monitor. So it just looks like our regular Omni product. There's no difference in it, and so that's why we're not calling it an OEM.

In other OEM situations that we have discussions, a lot of them want to have their brand name on the monitor. We produce the monitor, we do the monitoring of it, we get the fees, but it has the brand name of the OEM on it. That's why here it's a little different, and we're not calling it OEM.

But in terms of the volumes and the things that we believe can happen over time, it certainly would fall into that category. And the interesting thing about these type of deals is that, this year they sell, hopefully, many thousands of generators, and we monitor them, and then next year they add to that another many thousands. So over time, it just really grows our monitoring endpoints. So that's the answer to your first question.

In terms of your second question on OMNI360, yes, we were at the Rural Wireless Conference. That conference, we just walked around and tried to make contact. We did not have a booth. That came very quickly after we were ready with the product. But this upcoming conference, in 1.5 weeks in Nashville, we actually have a booth where we'll have our product showing, and so we think that'll be a much better opportunity to meet people and show off our wares. And it's been going well. We have made good contacts. We've had some very good phone calls. And we'll see what happens.

Operator
The next question will come from Kris Tuttle with Blue Caterpillar.

Kris Tuttle, Blue Caterpillar
A couple questions. And one of them is, you're right to point out we're kind of done with the -- we had that hardware revenue kind of the sheet going through the pipeline that's completed. And my question about that is, now that that's over, is that installed base of hardware a potential catalyst to see an acceleration in the monitoring software as those units turn into monitoring revenue for you guys? That's my first question.

Jan Loeb
Yes. And it already has. I mean, the way we sell our product -- monitoring product is, we sell the piece of equipment, and with the piece of equipment, we sell the first year of monitoring. So you get monitoring right off the bat. In the big cell phone contracts, they're a little bit different because they have some different terms. But in general, that's the way it works. And now we're already into the renewal period for them, and so they've been renewing those monitors. So, yes. Plus, we have received add-on orders, and we anticipate that over a continuous period, they put up new cell tower sites. They put in our new monitors. So we expect a continuous flow of business, nowhere near the size of what the original contract was. But we see both kind of continued equipment sales on a lower level and continued growth in monitoring as that equipment gets installed.

Kris Tuttle
Okay. I man, as a follow-up, because analysts are analysts, the monitoring revenue was up 8%, I believe, year-over-year in Q2, and it was up 9.8% per your release for the first half of '26. So strictly speaking, that's a minor deceleration of monitoring revenue growth in Q2 versus the first half. So I'm just -- I'm trying to think about what my expectations should be in terms of that monitoring revenue growth as we go through the rest of 2026.

Jan Loeb
I can't tell you what -- it's hard for you to come up with a 2026 number. As I said, a lot depends on units that we sell. But what I can tell you is that, with this big customer, a lot depends on dates of renewal and when they pay for the renewals. So you can't judge just on a 1-quarter basis or a half as to what the real growth factor is. It does shift quarter-to-quarter because of renewals.

Tracy Clifford
And I just want to clarify something for you, Kris. So on the monitoring revenue, first of all, units can be sold without monitoring revenue if they choose, but more than 99% of our units, of course, choose us to monitor the hardware. We defer that monitoring hardware until the unit is installed. So I'm not sure if that helps you, but let's say we can ship 100 units this quarter of hardware. They may put those units in inventory and not install them for 3 months, 4 months. And the amortization of the deferred monitoring revenue would not commence until they're actually installed. So that can cause -- that's sort of what Jan was alluding to that, that can

cause some disconnection between the sales of hardware and when you're seeing the monitoring revenue actually hit for that hardware. Does that make sense?

Kris Tuttle
Yes. Tracy, that's helpful. I see what you're getting at there and appreciate that point. That's good context. The other question is a little less structured, which is, I know you did your walk around at that conference, and as investors, we're doing a virtual walk around as well, looking at all these competitors who are in this sort of, I'm going to call that telecom monitoring, generally speaking. And my question is, they're all over the map. They're some very dominant companies, but they look like they take a rather like IT-oriented approach, I might call it, versus a more embedded IoT kind of approach. And I'd love to get your maybe top 1 or 2 observations in terms of, after walking around that conference and seeing these established competitors, what do you think the 1 or 2 key leading sales messages you can go with that differentiates what OmniMetrix and OMNI360 is going to be versus the other cell tower and telco-based monitoring solutions are?

Jan Loeb
So I would say the number one differentiating factor is that, everything is in one place, one dashboard, all in one. Every piece of data that you're interested in is easily laid out in one place. As I said in my remarks, there are other companies that have cameras, and I'm sure they're very good cameras. But there's nobody who has cameras, a generator monitoring system, a HVAC monitoring system, all of those things in one place. One company, one dashboard. So I think that, that is the number one differentiating factor. It makes a lot easier for the customer.

And the number two differentiating factor, I think, is that the technology that we have is the best. I'm talking about the software is the best. Besides the fact that it's all integrated, we have AI in it, we have predictive capability. We have not seen that in our competitors.

Kris Tuttle
Okay. And do you think you might have a pricing kind of easier to adopt kind of advantage here as well versus some of these companies are a lot larger than you?

Jan Loeb
Again, we -- I haven't made a sale yet, so I can't tell you exactly. So we believe that we offer 3 different levels, which is 3 different prices depending on what you want. Meaning, you want to have Zenith, which encompasses everything in your cell tower campus, or you only want Nova, which encompasses only some of the things in your cell tower campus. So it's up to the customer what level they want. We also will offer what we call a CapEx model, which you pay upfront. And we also will offer an OpEx model, which is something you sign a 5-year contract and you pay over time.

So we're going to try our best to make it very competitive to any of our customers. We don't want to underprice ourselves because we think we have a premium product, and which is what we have with our Omni and OmniPro for the generator monitoring. We do not -- we're the premium product. We have the best technology, and we offer it at a higher price than our competitors, but we still continue to pick up market share against our competitors.

Kris Tuttle
Okay. And just last question on that, and overall is, what's the current roundabout pricing level for, let's call it the existing OmniMetrix business, maybe on a per site basis versus where do you think your OMNI360 pricing will kind of shake out over time versus that?

Jan Loeb
Yes. I think we've said that, let's say your question is for a cell tower generator monitor or for 1 cell tower generator monitor, the average price is maybe $650. And if you took the whole system, I'd say it'd be around $5,000.

Kris Tuttle
And is that per year or per month?

Jan Loeb
That's just the equipment cost. Then there's the monitoring cost. And there's the annual monitoring cost.

Kris Tuttle
And how does the annual monitoring cost compare?

Jan Loeb
I'd say, again, we haven't sold one, so it's hard to say, but I would say it's something like $2,000 a year.

Kris Tuttle
For the OMNI360?

Jan Loeb
For OMNI360.

Kris Tuttle
Okay. And then what's the old one, like the 650 equipment that's maybe 200 a year or something like that?

Jan Loeb
Yes, something like that.

Kris Tuttle
Okay. All right. Yes, I know these are all negotiated. And we'll see how sales are. But that's all I have. I really appreciate your time. And there's a few other small things, but we'll do a follow-up later on.

Jan Loeb
You know how to reach us.

Kris Tuttle
I sure do.

Operator
The next question will come from Mason Hill, Private Investor.

Mason Hill, Private Investor
Congrats on the quarter. I just wanted to double-click on the Champion Power deal. It sounds great, and you've answered some of it, which is great. But I'd love some color on the economics there if they differ from your traditional monitoring hardware sales. And then I'd also love to understand, is there an opportunity, and I don't know exactly how big Champion's install base is, but is there an opportunity, only half of their installed base has monitoring equipment installed, where you're going to go and say, "Hey, we can offer these monitoring tools to the installed base rather than new generator sales." Is that something you guys have thought about? Or is that an opportunity?

Jan Loeb
Okay. So I'd say in answer to your first question, it is generally in line, and just recognize that they would get a volume discount. Okay? So that's the answer to the first question.
In answer to your second question, no. I don't perceive that we will be taking an installed base and putting monitors on existing units. This is for new units being sold. And just recognize that while Champion has been in business for over 20 years, and they've sold 4 million to 5 million portable units during that period of time, the home generators, the whole home-type generators is maybe 2 years old. And so, our view is this will be on new sales is where we're going to be on. We're not going to be on old sales, and they don't really even have a significant base of whole home generators today in their portfolio.

Mason Hill
Okay. That's helpful. That's helpful. It's great to hear the progress on OMNI360. You got some branding out there. Is there any more capital outlays that we should expect over the coming quarters relating to that product development? Can you give any sort of guidance there?

Jan Loeb
I think the only capital outlays, I mean, certainly we're going to be spending money in marketing, which you would expect, and we would spend some money on inventory.
But in terms of the system or software upgrades or anything like that, no. It is -- we have the system. It works phenomenally, and marketing and inventory is where we'd have to spend a little bit of money.

Mason Hill
Sure. Okay. That's helpful. And Jan, we might have talked about this in the past, but can you remind me the data that is aggregated from this new product, where does the ownership of that sit?
Jan Loeb
Meaning who owns the data or where is the server?

Mason Hill
The buyer, the former.

Jan Loeb
It's the customer's data.

Mason Hill
Okay. So am I right to say, though, that you guys will have the ability to leverage this data internally and kind of compound your operational capabilities?

Jan Loeb
It's possible that we can leverage the data and help our operational strategy with that data. But if your question is, do we see a market to take that data and resell it to the industry, I don't see that at this point in time.

Mason Hill
Sure. No, no. I was more interested in the operational side, so that's helpful. And just a couple more on my end here. You've reiterated that 3- to 5-year 20% annual growth CAGR. Is that coming from on a go-forward basis now? Is that reiteration of like, "Hey, we've eclipsed these tough comps and now we think we can grow 20% per year on average over the next 3- to 5-year?" Or is that from the original -- still from the original time that you shared that ambition?

Jan Loeb
From the original time that I shared that ambition.

Mason Hill
Okay. And then on the M&A front, it's interesting to hear that you guys are still looking. That's great. Two points there. Has anything changed in terms of what you're targeting? It doesn't sound like it. And has anything changed in how you think about financing that?

Jan Loeb
Nothing has changed in terms of targeting, and really nothing has changed in terms of how we think of financing it.

Mason Hill
Okay. And how do you feel about capital allocation in terms of shareholder returns at this point? Similar to when we had last talked of, there are more attractive uses of your capital? Or how are you weighing that?

Jan Loeb
I'm all for shareholder returns. So I try to keep equity low, and if I can use debt, I'll certainly use debt well before I use equity.

Operator
The next question will come from Matt Dodson, Private Investor.

Matt Dodson, Private Investor
I always appreciate your communication with shareholders. Really, it's just great always to read the transcripts of these calls and to hear how honest you are. My question sort of follows up on the pricing. Obviously, Acorn, OmniMetrix is a very small player and these customers are -- some are very, very big. And I was wondering, if you -- how you feel in the negotiations about being able to maintain pricing, if pricing is a sticking point in the negotiations. And if it's not, I'm just wondering where are the sticking points in these negotiations because I know they take a long time, probably always a little longer than expected.

Jan Loeb
Let me say that we always get beat up by big customers. But at the end of the day, I think the customers recognize that they get a quality product that actually works, easy to install, and gives them all the data, doesn't break down. So, I mean, there's a reason we have won that contract and that we continue to make inroads against competitors who are significantly larger than us. So that's the -- in terms of price, but we're not going to do a deal that we feel makes no sense for the company.

And in terms of other things that customers want, price is always a significant issue. But I think that we can, with the services that we provide and the data that we provide that far outshines what other people are doing, I think it's a fair negotiation after they beat us up a little bit.

Matt Dodson,
Okay. And I just had one other question. Since OmniMetrix could target a few different industries, but it's a small team. So I was wondering -- I know there are some expansion natural gas pipelines, but I don't know if the sales team is focusing on that. I'm just wondering if you're going more for a sort of a targeted spearfishing approach with a few sort of precise customers, or if you're still exercising your full range with the sales team.

Jan Loeb
The more the merrier. So no, definitely not. And the fact that we're a smaller company, I think it gives us the right to go after smaller people and larger people. So no, we'll take any customer that we think we can help. And -- so we're not -- I don't spearfish, so I can't tell you, but we try to spread a broad net.

Operator
The next question is a follow-up from Joel Sklar, Private Investor.

Joel Sklar
Yes, just a quick follow-up. So on OmniView360, I understand the prioritization of the cell towers, and it makes perfect sense. But I know that their equipment is also suitable and very helpful for data centers and utility substations and the like. So I was just curious as to what your plan is to roll out. Well, I don't know whether you need to change the product much. It sounds like the product that you're selling to the cell towers will be very suitable for substations and data centers. But I was wondering what the timing is and your strategy for marketing to them, whether you want to first establish a foothold with cell towers and then move on, or whether you're going to proceed sooner than that. And of course, with data centers, timing is everything, and with the rapid build-out of them, you'd want to -- I would think you'd want to strike while the iron is hot, so to speak. So anyway, can you shed some light on what you're thinking strategic timing is with those markets?

Jan Loeb
Yes. So I don't disagree with you on data centers and timing is hot, et cetera. But it is really not our focus. I'd love to tell you that it is, but it's not. I don't think strategically it makes sense for us. We feel that the cell tower market, which is where we're already in, where our name is recognized, is the opportunity is so large that we should not be taking our eye off that ball. I mean, if you've heard any some of my presentations, you know that there's 235,000 cell towers in North America, and on average, each cell tower has roughly 4 customers in the cell tower. The market is 1 million potential users.

But let's just, for argument's sake say that we were able to get a 10% market share of 235,000, not 10% of 1 million, but just 10% of 235,000, and based on the numbers that I gave out on this call, and that'd be over $100 million in revenue for us. So the opportunity is very large. And I don't want to take our eye off that ball. I'm a salesman. And so, we are focused on cell tower. And if I miss the data center opportunity, I miss it. But I'm missing it for a very good reason.

Joel Sklar
Okay. You would know that best.

Operator
The next question will come from Shai Dardashti, Private Investor.

Shai Dardashti, Private Investor
Thank you for the clarity about Champion and OMNI360. I'm actually curious about demand response and CPower. It's been pretty quiet. Does that mean that things are delayed? Or what should the expectations be regarding demand response over time, please?

Jan Loeb
Well, I'll say that right now you should have no expectations about demand response. We have a couple of programs going. They generate a drop in a bucket for us. The ISOs don't have their act together still as to how much they're paying. Now, PJM, because of what's been going on in the Mid-Atlantic, has upped their payments, so more people are interested, and we're talking to a bunch of dealers in the Mid-Atlantic area about demand response. But we're there, we're

positioned, we have the capability, but I just would not view that as having any impact on our company in the near-term.

Shai Dardashti
And a different question. I'm looking at the 10-Q Note 8, commitments and contingencies, and there's language that breaks down the AIO agreement structure, where there's dollar targets and there's percent revenue shares. Could you just speak through how those targets were established and how those percentages, like what was the negotiation like, and how have you picked those particular milestone numbers?

Jan Loeb
I picked them because it was a number that I thought was in the bucket for us.

Shai Dardashti
And then why is 34% where the number stops and not higher or lower? I'm just curious. It's a rather specific number.

Jan Loeb
It's basically 1/3. So we start at a half, and we end up at 1/3.

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

Jan Loeb
Thank you for joining today's call. We appreciate continued support from all of our shareholders. If you have follow-up questions or comments, please reach out to myself or to our IR team, whose contact information is in today's release. We hope to see some of you at our Annual Meeting of Shareholders in Baltimore on September 16. Our proxy statement with meeting details was recently filed. But again, please reach out if needed. Otherwise, we look forward to updating you on our next conference call or via a press release with interim developments.

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