NASDAQ:AIRJ Q4 2025 Earnings Call Transcript

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Operator | Conference Operator:

Greetings. Welcome to the AirJewel Technologies fourth quarter and full year 2025 earnings call. At this time, all participants are in listen-only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star zero on your telephone keypad. Please note, this conference is being recorded. It is now my pleasure to turn the conference over to your host, Tom Devine, Vice President of Investor Relations and Finance. Thank you. You may now begin.

Tom Devine | Vice President of Investor Relations and Finance:

Thank you and good morning. With me today for our full year earnings call are Matt Jor, Chief Executive Officer, Pat Eilers, Executive Chairman, Brian Barton, Chief Commercialization Officer, and Steven Peng, Chief Financial Officer. During this call, we'll be referring to a presentation which is available on the webcast platform and on the investor section of our website. I would like to point out that many of the comments made during the prepared remarks and during the Q&A section are forward-looking statements that involve risks and uncertainties that could affect our actual results and plans. Many of these risks are beyond our control and are discussed in more detail in the risk factors in the forward-looking statement sections of our filings with the SEC. Although we believe the expectations expressed are based on reasonable assumptions, they are not guaranteed that future performance and actual results or developments may differ materially. And now, I'll turn it over to Matt Jor.

Matt Jor | Chief Executive Officer:

Thanks, Tom. Good morning, everyone, and thank you for joining us for our full year 2025 earnings call. This is an important call for AirJewel. 2025 was the year we built the foundation for commercialization And 2026 is the year we intend to convert that foundation into a commercial pipeline to revenue. Before I review our accomplishments and outline our plan for the year ahead, I want to take a moment to talk about something that has become impossible to ignore, the growing urgency of water resilience. In Corpus Christi, Texas, home to one of the nation's largest petroleum ports, the main water reservoir has dropped below 10% capacity, its lowest level on record. The city's own projections indicate it could reach a water emergency within months, meaning supply will be unable to meet demand. The governor of Texas has publicly warned that the state may need to intervene. Industrial operations that produce jet fuel for Texas airports and support billions of dollars in economic activity face the prospect of curtailment due to lack of water. The city's proposed long-term solution is a desalination plant that will cost over a billion dollars and is years away from producing any water. Meanwhile, in the Middle East, the unfortunate ongoing conflict has caused immense human suffering. Our thoughts are with the people in the communities affected there. It has also exposed a critical vulnerability for the more than 100 million people who depend on desalination for their water supply. Desalination plants in Bahrain have been damaged by military strikes. Facilities in the UAE and Kuwait have been hit by missile debris. As Bloomberg columnist Xavier Blas recently observed, water is now more strategically important than oil. These desal plants are centralized facilities that represent single points of failure for entire populations. These risks are real, and they are often underappreciated until they become urgent. They stem from the same structural problem. The world's water infrastructure is concentrated, brittle, and increasingly vulnerable to disruption. Whether the stress comes from drought, industrial and population growth, or geopolitical conflict, the result is the same. Communities and industries are exposed to water supply risks with very limited alternatives. AirJewel offers a fundamentally different approach. Distributed

water generation from the atmosphere that operates independently of pipelines, reservoirs, and centralized desalination. AirJewel systems generate water on site, behind the meter, and at the point of need. They require no municipal water connection. These systems produce pure distilled and potable water from ambient air using waste heat. We've proven this in the field. Over the past year, AirJewel systems have operated in Texas, Arizona, California, and Dubai. The macro tailwinds that we've discussed on prior calls remain in full force and have been exacerbated and exposed by the current war. Data center expansion and the onshoring of advanced manufacturing is exponentially driving an increase in industrial water and power demand. But the events of recent weeks have elevated the conversation from efficiency and sustainability to resilience and security and even survival. That shift is accelerating interest in exactly what AirDuel can deliver. In our year-end call in March of last year, we laid out a clear set of objectives for 2025. Validate our technology in the field, develop products for commercial launch, strengthen our partnerships towards building a commercial pipeline, and ensure sufficient capitalization to support commercialization. we delivered on these commitments. On technology validation, we said we would move from laboratory demonstrations to real-world field deployments. In Dubai, we operated an air jewel system at a government advanced technology facility, showcasing our technology to public and private sector customers across the Middle East. In Hubbard, Texas, we deployed the first US field demonstration of air jewel, showing our ability to produce pure water from air and generating months of operational data across diverse environmental conditions. At Arizona State University, an independent academic evaluation is ongoing in one of the most demanding air environments in the United States. On product development, we said we would advance our products toward commercial readiness. Last year, we made a deliberate engineering decision to focus our initial builds on our so-called A250 platform, which we'll now be referring to as our AirJewel platform. core product. This is our core two-chamber system optimized for industrial dehumidification and water generation. This allowed us to build, deploy, and learn from multiple systems in the field. And those learnings have directly informed the design of our A1000, which we'll now be referring to as AirJewel Prime. This is our larger water generator for industrial scale applications that we're currently building. Both products share a common sorbit chamber architecture and produce distilled and potable water that meets FDA bottled water standards. On partnerships, we said we would leverage our strategic relationships to accelerate commercialization. GE Renova invested additional capital and commenced a strategic waste heat integration project with us. We'll also be deploying an air dual system at GE Renova's New York facility to support our waste heat strategic project with them. and to be used as a demonstration system for GE Vernova's customers. Additionally, we were selected for the Net Zero Innovation Hub to showcase our AirJuul system for Google, Microsoft, DataFor, and other leading data center infrastructure companies. We established defense sector credibility through a CRADA with the U.S. Army and an agreement with a defense contractor for anti-corrosion applications. And we announced an exclusive Middle East distribution agreement with 10X Investment an Emirati-owned company with well-established relationships across government, commercial, and industrial sectors throughout the Gulf. On commercial pipeline, we said we would develop strong customer engagements with a path to commercial sales. We are now actively engaged with customers across several industry verticals. We introduced the water purchase agreement business model, and we developed a defined, repeatable customer engagement process that is advancing prospects toward commercial deployment. Brian will take you through that process in detail shortly. On the balance sheet, we said we would ensure sufficient capitalization to support commercialization. We completed a $15 million private placement anchored by GE Vrnova, filed an S3 shelf registration, and completed a $23 million equity offering in January 2026, ensuring that we have the runway to execute on our plan with zero debt. Let me highlight the key milestones from the fourth quarter and the first several weeks of 2026. Some of these were discussed on our third quarter call in November, but I want to place them in the context of the full year and the momentum we're carrying into 2026. During the fourth quarter, we continue to advance our defense sector relationships. Our CRADA with the U.S. Army, which we announced in October, is focused on integrating Air Jewel with tactical waste heat recovery systems to deliver resilient water supply for forward deployed troops. In December, we announced a collaboration with Red Dot Ranch to bring off-grid water solutions to rural residential communities in Pescadero, California, demonstrating Air Jewel's value proposition for distributed residential water generation. We deployed an AirDuel core system in January and completed the first stage pilot in February. In December, we also commissioned an AirDuel core system at Arizona State University for

independent academic evaluation by Dr. Paul Westerhoff and his team of globally recognized experts in atmospheric water harvesting. In January, we announced an exclusive distribution agreement with 10X, providing AirDuel with market access across six Gulf countries. and we commenced our partnership in the Net Zero Innovation Hub program in Denmark that I mentioned earlier. Looking ahead, 2026 is the year when AirDuel transitions to commercial pipeline building. We expect to secure multiple long-term customer commitments across data center, industrial, defense, and international markets. Importantly, the customer relationships we build in 2026 are laying the foundation for scaled commercial business in 2027 and beyond. As I mentioned earlier, one of our recent announcements was our exclusive distribution agreement with 10X across the Middle East, a region where water demand has far exceeded natural supply and where recent conflict has further exposed its fragility. I'd like to turn it over to Pat Eilers to discuss the significance of this part of the world in terms of energy, water, and the opportunity it represents for an air-jewel solution in that region. Pat?

Pat Eilers | Executive Chairman:

Yeah, thanks, Matt. Even good morning. I have spent a considerable time in the middle east region over the past two years with air jewel and the last decade since my black rock days. And I want to share some perspective on why it is an important region for air jewel. The middle east is one of the most water stress regions on earth. Gulf nations depend on desalination for 70 to 90% of their drinking water. At the same time, the region is experiencing massive growth in data center development, advanced manufacturing, and infrastructure investment. Each of these sectors requires substantial quantities of water. Governments and enterprises across the Gulf are actively seeking technologies that can strengthen water security while reducing energy intensity. Matt described the recent attacks on desalination infrastructure in Bahrain, and elsewhere in the Gulf. Those events have exposed a vulnerability that has concerned regional leaders for years. The concentration of critical mineral supply in small number of centralized coastal facilities. Communities have already lost access to drinking water when individual plants have gone offline. The fragility of this infrastructure is now visible to the entire world. This is exactly why distributed water generation matters. Air jewel systems operate independently of desalination infrastructure and can be located where water is needed rather than relying on pipelines or trucks. They can be deployed onsite at industrial facilities, military installations, and community water systems to produce pure distilled water from the atmosphere. This capability has significant value in a region where water resilience is now a national security priority. We recognize that the current conflict in the region creates uncertainty around the near term timeline for deployments. We are monitoring the situation closely and working with 10X, our partner, to ensure we are positioned to move forward when conditions are favorable. At the same time, these events are reinforcing the strategic urgency of water resilience across the Gulf, and the conversations we are having with prospective customers reflect that urgency. We are confident that the long-term opportunity in the Middle East is substantial, and we intend to support the increased need for water resiliency. Now I will turn it over to Brian Barton, our Chief Commercialization Officer, to discuss our product roadmap, and commercialization plans for 2026. Over to you, Brian.

Brian Barton | Chief Commercialization Officer:

Thanks, Pat. Let's start with the AirJewel A250, which we're now referring to as AirJewel Core. As Matt mentioned, we made a deliberate decision in 2025 to focus our initial system builds on the Core platform. The Core is a two-chamber system that shares the same sorbent chamber architecture as our larger AirJewel Prime water generator. By building, deploying, and iterating on the core systems throughout the year, we accomplished two things simultaneously. First, we gained important engineering learnings that helped us improve the overall design of the system. Second, and equally important, we used the core system as a proof of value surrogate for the prime system. Every core deployment demonstrates to customers the performance, water quality, and economics of the AirDuel platform. directly de-risking the pathway to prime commercial deployment. We are finalizing the core product design and preparing for UL and NSF certification, which are

required steps before commercial launch. We expect the core product to be commercially available in late Q4, 2026. For industrial dehumidification applications, there will be an additional core product, will be optimized for maintaining low humidity environments in a range of approximately 30 to 40 percent relative humidity with significant energy savings compared to incumbent desiccant wheel technology for this product we are targeting commercialization in 2027. on cost reduction we have made substantial progress we have sourced lower cost components across multiple subsystems and are evaluating their reliability in our current builds We are also simplifying the overall system design, which reduces both manufacturing complexity and cost. The sorbent chamber remains the only custom manufactured component. The balance of the bill of materials consists of commercially available parts. Turning to the prime, this is our larger water generator designed for industrial scale water production using waste heat. Prime is the product that the majority of our data center and industrial water customers are ultimately looking for. The learnings from our core systems have directly informed the prime design, and we are building our first prime system now in Newark, Delaware. Once operational, it will serve as a critical outdoor showcase unit, enabling customers to see the full-scale system operating in real-world conditions. We will provide updates on prime deployment timing as the build progresses and we gain operational experience with the full-scale system. Water productivity per chamber continues to improve through ongoing optimization of our sorbent performance and cycle tuning across a range of temperature and humidity conditions. These improvements directly translate to better economics for our customers, and we expect to continue to make gains as we move into commercial production. We're also initiating a dedicated optimization of the core platform for the standalone dehumidifier market. focused on system performance optimization for dry storage and anti-corrosion applications. This targets a large installed base of approximately 1.3 million industrial dehumidification systems globally. And our longer-term HVAC integration work with Carrier continues to benefit from the engineering and productization work underway on both the core and prime systems. On manufacturing, our coating line is operational in Newark, producing the sorbent coated contactors central to AirJules operation. We are advancing process developments to establish a scalable, repeatable manufacturing process. Our Newark facility has sufficient production capacity to address expected sales volume through 2027. As demand increases beyond that, we expect to transition to contract manufacturing for both contactor production and full system assembly. We're initiating those conversations now and preparing for assembly documentation required to support that transition. On slide nine, I want to walk us through our process for converting strong customer interest that Matt and Pat described into commercial deployments. We have developed a defined repeatable customer engagement process with four stages. Stage one is discovery and evaluation. where we assess product market fit for a specific customer, benchmark AirJules performance against the customer's alternatives, and complete a techno-economic analysis. This stage typically takes one to three months, and we are actively engaged with customers across several industry verticals. Stage two is proof of value. In some cases, the techno-economic analysis from stage one or prior deployments are sufficient for customers to move to commercial structuring. In other cases, we deploy a demonstration unit onsite and validate performance in the customer's operating environment. The customer validates water quality, observes waste heat integration, economics, and confirms real-world performance and reliability. Our deployments in Hubbard, at ASU, in Dubai, and in Pescadero have all served as proof of value demonstrations. Today, the core system is our primary proof of value platform because it operates on the same architecture as the prime and demonstrates the same sorbent performance, water quality, and energy economics. As prime becomes operational, it will serve as an additional proof of value asset at full scale. This stage typically takes six to 12 months. Stage three is commercial structuring. Once performance is validated, we define the commercial model, which could be a water purchase agreement, direct unit sale, or a lease. We also align on product configuration, site engineering, deployment scope, and pricing. The stage typically takes three to six months. Stage four is deployment and scale. Multi-unit commercial deployment, expansion within the customer's portfolio and across geographies, and recurring revenue through service maintenance and WPA contracts. This is the long-term value creation engine. I should note that these stages are not strictly sequential. For customers with strong strategic urgency or established familiarity with our technology, commercial structuring discussions often begin while proof of value work is still underway. This parallel progression can compress the overall timeline from initial engagement to commercial deployment. Putting it all together, here's what to expect from us in 2026. The core system for both industrial dehumidification and smaller scale water

production applications will be our first commercial products to launch late Q4 this year, following completion of certifications. Our first prime system is being built now, and once operational, it will serve as our showcase for industrial scale water generation customers. Through our partnerships with the net zero innovation hub for data centers, we expect to deploy an air dual system later this year. This deployment will directly demonstrate AirJules performance for Google, Microsoft, DataForce, Danfoss, and other leading data center companies. Through 10X, initial commercial deployments in the Middle East are planned for late 2026, subject to regional conditions. And across our defense partnerships, we anticipate deployments in 2026 in both water resiliency and anti-corrosion applications. And in the residential market, we're planning for additional partnerships and deployments that can unlock new developments in water scarce regions. Through these various deployments and partnerships, our focus in 2026 is on building the deployed reference base and contracted customer relationships that support scaled commercial activity in 2027 and beyond. Every deployment we execute this year validates AirJewel for an entire category of customers and advances our pipeline toward commercial conversion. The customer engagement cycle we are outlining is the engine that converts interest into commercial deployments. We're advancing customers through this process with discipline and the pipeline is growing across multiple verticals and geographies. Now I will turn it over to Steven for the financial update.

Steven Peng | Chief Financial Officer:

Thank you, Brian. I will now walk through our financial results for the fourth quarter and full year 2025 and also provide some color on our 2026 outlook and liquidity position for the year. We can turn to the financial results slide in the presentation. As a reminder, Aerojoule Technologies accounts for its 50% ownership in the JV or GE Vernova using the equity method. The numbers I will discuss are for Aerojoule Technologies, and the results from the joint venture are reflected in the loss from investment in Aerojoule JV lines. For the fourth quarter, Aerogeo Technologies reported net operating expenses of $3.2 million. This is inclusive of approximately $0.7 million in administrative and engineer expenses reimbursed to us by the joint venture under our statement of work. For the full year, net operating expenses at Aerogeo Technologies were $13.6 million, which compares to $11.2 million in 2024. The year-over-year increase is driven primarily by a $4.2 million increase in non-cash stock-based compensation expenses. is offset by lower professional fees and a shift in the R&D line from ARJ to the joint venture. Our net loss for the full year is $9 million. The primary components below the operating line were our loss from investment in ARJJV of $39.3 million, offset by a non-cash gain of approximately $25 million from changes in the fair value of earn-out liabilities and subject investing shares. The $39.3 million JV loss compares to $5.3 million for the full year of 2024. The primary driver of the variance is the non-cash impairment of in-process R&D that reduced net income at the joint venture. This is a non-cash accounting adjustment related to a change of valuation of intellectual property contributed to the JV at formation. It has no impact on our joint venture's operations cash position or ability to execute on the commercialization plan. Now let's turn to our joint venture. The total JV cash outflows for the year was approximately $18 million, which is consistent with the guidance provided on our third quarter call. The JV received capital contributions totaling $17.8 million from AeroJewel Technologies during the year. $5 million of that came from GE Vernova through their April 2025 equity investment in AeroJewel Technologies. The joint venture remains in the development and proposition stage. And there was nominal revenue of approximately $110,000 during the fourth quarter from the sale of AeroJewel Core Systems to Arizona State University. AeroJewel Technologies ended 2025 with approximately $22 million of cash on the balance sheet. Subsequent to year-end, we completed an equity offering in January 2026 that raised approximately $22 million in net proceeds. Following that offering, our combined pro forma cash position across Airdrieu Technologies and the JV was approximately $44 million of no debt. With respect to liquidity, we have sufficient cash to fund our operations, the JV, and our planned commercial deployments through 2027. We expect our combined cash spend across the corporate entity and the JV in 2026 to be approximately 25 million. The January offering combined with our existing cash and liquidity provides a clear runway to execute on the commercialization plan that Matt and Brian have both outlined. Looking ahead to 2026, at the joint venture level, we are budgeting approximately 17 to 19 million in operating expenses to support the productization, manufacturing, and commercial deployment activities that Brian described. This is in line with

our 2025 spend level. At Airtrue Technologies, our corporate operating expenses are expected to be approximately $15 million for the full year, of which approximately $8 million is non-cash stock-based composition. With the successful execution of our registered offer in January, along with our effective S3 registration status, we continue to maintain strong flexibility in managing our capital position and balance sheet. Going forward, we will remain opportunistic in evaluating any financing and strategic opportunities that enhance our balance sheet and support long-term value creation. With that, I will pass it back to Tom for the Q&A portion of the call.

Operator | Conference Operator:

Thank you. We'll now be conducting a question and answer session. If you'd like to ask a question at this time, you may press star 1 from your telephone keypad. and a confirmation tone to indicate your line is in the question queue. You may press star two if you'd like to withdraw your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions. Thank you. Thank you, and the first question we have comes from the line of Michael Legg with Leidenberg-Salmon. Please proceed with your questions.

Michael Legg | Analyst at Leidenberg-Salmon:

Thanks. Good morning, and congrats on the quarter. Nice progress here. I wanted to ask a little bit about, you know, you talked about the customer engagement. Can you talk about, you know, how you're going about engaging the customer from a feed-on-the-street perspective, from a distributor perspective, and how is the outreach going? And talk about that a little bit, please.

Brian Barton | Chief Commercialization Officer:

Thanks, Mike. This is Brian. I think if I understand your question correctly, it's really around our process of engaging customers. Is that accurate? Yes.

Tom Devine | Vice President of Investor Relations and Finance:

Yes.

Brian Barton | Chief Commercialization Officer:

Yeah, so it's worth noting that there's really, I think, three ways in which these conversations are initiated. One is through direct engagement from the customer themselves. That's when they reach out to us. And then, of course, there's warm introductions that happen across our network and to the tops of these organizations. And then there's really kind of meeting folks through direct conferences or trade shows or or suppliers and that kind of thing. And so there's really a lot of activity in all three kind of categories of how we reach our customers. You know, there's a lot of them that come to us, frankly, because this is an urgent topic for a lot of data center builds in particular in that market. You know, one thing to note on the data center market is there's a lot of builds that are happening and a lot of builds that end up getting canceled, canceled projects due to permitting on the water side where everything seems to be moving ahead, but then you can't secure the water permit. And so that's one thing that's really driven a lot of engagement for us in the data center market. And there's other verticals as well where that outreach has been predominantly customer driven. in the industrial sector as well as in the residential sector, which we believe is a significant value for AirJewel to unlock different kind of frozen residential developments. Does that address the question, Mike?

Michael Legg | Analyst at Leidenberg-Salmon:

Yeah, thank you. Great. And then on the supply chain, you mentioned almost everything except one is commercially available. As we scale over the coming years, Is there anything that's a scarce supply chain or that you don't have redundancy on that we should be thinking about?

Brian Barton | Chief Commercialization Officer:

I don't think so, Mike. Most of these components that are in the box, so to speak, are kind of already at scale, you know, pumps and motors and valves. The custom, you know, part of our sorbent chamber is an aluminum vacuum chamber that is produced at scale through, you know, cast aluminum manufacturing, and this is Um, a very commodity industrial process. Uh, it's just our form factor is a bit unique. Um, but it's, it's, it's, uh, you know, totally available at scale. Um, the thing inside the vacuum chamber is our sorbent coated contactor. Um, the contactor is, you know, already at scale commodity, many vendors, uh, millions of parts globally already produced. So that's a standard offering that we then coat with the metal organic framework sorbent material. We do that in-house really to define the process of coating, but coating parts is also a commoditized process. There are many vendors that can do this at scale. AirJewel has taken, like this is kind of the, core aspect of our intellectual property, and we need to define and own kind of the optimization of that process and lock it down before we engage with a select, you know, partner to take that to scale.

Michael Legg | Analyst at Leidenberg-Salmon:

Okay, great. And just one last question. You mentioned a $10 million cap call on the Air Jewel joint venture at year end. Can you explain that and then also talk if there are any other major CapEx needs for 26? Thanks.

Brian Barton | Chief Commercialization Officer:

Yeah, Steven, you want to take that?

Steven Peng | Chief Financial Officer:

Yeah, Mike, you're asking about the 2026 capital call, correct?

Tom Devine | Vice President of Investor Relations and Finance:

Yeah.

Steven Peng | Chief Financial Officer:

Yeah, so that capital call, those two capital calls are kind of the normal course funding plan for this year. As we laid out in our prepared remarks, what our anticipated total spend for the joint venture will be. And these two capital calls are part of the funding contribution to fund the JV for those perspective expenses. And I'm sorry, the second part of your question?

Michael Legg | Analyst at Leidenberg-Salmon:

Any other major CapEx for 26?

Steven Peng | Chief Financial Officer:

No, nothing other than, again, the forecast that we provided in our prepared remarks around our cash needs. CapEx at the joint venture has largely been funded through last year to help support the build-out that Brian described.

Michael Legg | Analyst at Leidenberg-Salmon:

Okay, great. Thanks. Congrats on the progress. Thanks, Mike.

Operator | Conference Operator:

Thank you. Our next question is from the line of Alex Furman with Lucid Capital. Please receive three questions.

Alex Furman | Analyst at Lucid Capital:

Hey, guys. Thanks very much for taking my question, and congratulations on all the milestones you achieved in 2025. I wanted to ask about gross margins. You know, what kind of gross margins are you expecting initially for your first couple units of sales? And then as you think about longer-term contracting, transitioning to contract manufacturing, what kind of gross margins do you think you'll be able to achieve at scale?

Steven Peng | Chief Financial Officer:

Yeah, maybe I can take that. I think for this year, we're really just focused on deployments. And so I think the gross margin is less of an emphasis for us in terms of what our long-term objectives are, which are around 30, 35% at scale as we move into contract manufacturing. So this year, as we're focused on really the customer pipeline build-out and the validation of our technologies, the focus is more on offline and customer-engaged execution. And as we move into 2027, as alluded to, as contract manufacturing, that margin is targeting. And so our conversations around both our design and our building materials will ultimately help unlock the gross margin profile that we're pursuing long-term.

Alex Furman | Analyst at Lucid Capital:

Okay, that's really helpful. Thank you for that. And then nice to see the first You know, obviously small revenue here for the JV in Q4. Should we expect to see similar small revenue, you know, throughout 2026 as we get closer to the full-scale commercial launch at the end of the year?

Steven Peng | Chief Financial Officer:

Yeah, we do. We envision these deployments, some of them will be piloted in nature, will be paid deployments. So we expect some modest revenue that will continue to grow here in 2020 at the joint venture level. and given some of the accounting treatment of the JV that will flow through the equity income or loss from the JV line.

Alex Furman | Analyst at Lucid Capital:

That's really helpful. Thanks. And then you guys mentioned the water crisis in Corpus Christi and kind of the trade-off between AirJewel and desalination. Just curious how close your economics are getting to competing with large-scale desalination progress project and how much of a selling point is, you know, the lack of a, you know, massive upfront capex for these types of projects as you start engaging with communities like that?

Brian Barton | Chief Commercialization Officer:

Yeah, thanks, Alex. You know, I think it's important to think about how desalination actually gets built. It's a multi-year permitting and planning process and typically desal plants are, you know, billions of dollars of infrastructure that goes into the ground. You know, then they clean up the saltwater, of course, and then they have to dispose brine, and brine disposal back into the source is a point of concern often. Economically, the comparison, desal is, you know, probably is definitely cheaper than air-dwell technologies for water creation. It's about, you know, five to ten times cheaper in terms of operating costs. The difference is, like, really the value of when you would deploy AirJewel is when the time to those permits and capital are constraining economic development. We're in a period of time right now where there's immense build-out, and we talk about Corpus Christi, who is right on the gulf, as you point out. But the timeline to unlocking those development projects is really a constraint, and Another thing I'd like to point out in terms of the water that's produced from AirJewel is distilled, very plain, zero TDS. This is actually difficult for RO water or desal water infrastructure where there's residual TDS or things that come along. Water quality is a main value driver. you know, if we were kind of like bucket at large, like where is the value for air drill technologies? It's in terms of speed to market, distributed water, resiliency water, where that water is yours, right? And it's your asset that you own. And then it's around water quality.

Matt Jor | Chief Executive Officer:

And Alex, this is Matt. Alex, this is Matt. I'll add to two things here that Stephen and Brian said. Regarding your gross margin question, you might recall we've established a water purchase agreement business model, and that has been well received by customers. And to Brian's point about distributed water, if you envision these air dual water plants at the site, you know, wherever there's waste heat and every data center there is waste heat, every industrial operation there's waste heat. you can envision an air to a water plant. And so the gross margin question when you take that model is easier to maintain as long as you're focused on where that water has value. And that distilled water that Brian brought up has tremendous value. So we're pretty confident because you get to, we place these air to a water plants and sell the water for a 15, 20 year period. So that gross margin question on sale of equipment also applies to water being sold. So just wanted to add that to your question.

Alex Furman | Analyst at Lucid Capital:

Okay. Thanks, Matt. That's really helpful. Really appreciate the thorough response from all of you.

Matt Jor | Chief Executive Officer:

Yep. Thanks, Alex.

Operator | Conference Operator:

Thanks. Our next question is from the line of Julian Mitchell with Barclays. Please receive your question.

Drew (on for Julian Mitchell) | Analyst at Barclays:

Hi. Good morning. This is Drew on for Julian Mitchell. You know, thanks for taking our question. So we just wanted to get a sense of, you know, what commercial opportunities, you know, you're expecting to turn into firm orders and, you know, I guess more broadly, like on a global scale and then more specifically in the middle East. I know you guys touched on that a bit during the call, but if there's any additional color you could provide there, that'd be great.

Brian Barton | Chief Commercialization Officer:

Sorry, Drew. I'm not exactly. Yeah. So the question is around, uh, commercial deployments that lead to, sorry, deployments that lead to commercial activity.

Drew (on for Julian Mitchell) | Analyst at Barclays:

deployments, like leading into orders throughout the year, if there's any color on that.

Brian Barton | Chief Commercialization Officer:

Yeah, sure. So thanks for the question, Drew. You know, as kind of discussed on the call, there's a number of different market verticals that we're, you know, engaging into, be it on the residential side of unlocking, you know, whole residential built communities that are currently frozen and, you know, the development pipeline due to water permitting. as well as a number of data center engagements, as well as the US military in terms of water resiliency, as well as on dehumidification. So there's a number of verticals and customer conversations that are ongoing that are really kind of poised for these deployments and that proof of value conversation with each one of those customers. We will announce these as they happen. throughout the year and kind of give updates as to the success of those deployments and proof of values with those customers in different verticals. And then, you know, those will cascade into commercial commitments from those customers is our expectation on the overall process. Does that address the question, Drew?

Drew (on for Julian Mitchell) | Analyst at Barclays:

Yeah, absolutely. Thank you very much.

Operator | Conference Operator:

Thank you. At this time, there are no more questions in the queue, so I'll turn it back to Matt Schor for some closing comments.

Matt Jor | Chief Executive Officer:

Thanks, everyone, for joining us this morning. 2025 was a year of building for us, building systems, building partnerships, and building towards a commercial pipeline. In 2026, we expect to see the early results of that work through our first product launches, and additional customer deployments. Every deployment we execute

this year and every customer relationship we advance is building the foundation for scaled commercial activity in 2027 and beyond. Thank you.

Operator | Conference Operator:

Thank you. This will conclude today's conference. Let me disconnect your lines at this time. Thank you for your participation and have a wonderful day.