NASDAQ:DUOT Q2 2025 Earnings Call Transcript

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Chuck | President and CEO:

Welcome, everyone, and thanks for joining us. Earlier today, we issued our earnings press release and our 2025 second quarter 10Q. Copies are available in the investor relations section of our website. I encourage all listeners to view the press releases and our 10Q filing to better understand some of the details we'll be discussing during today's call. Our strategy to pivot to the edge data center business is gaining momentum. We remain on plan to install 15 edge data centers in Texas this year, and our pipeline of opportunities for 2026 is growing. Now that we have properly capitalized this business through our recent raise, we have all the ingredients in place to grow this exciting new opportunity that is part of the overall data center growth story. Through our asset management agreement with APR Energy, we have installed and commercially delivered a 150 megawatt gas turbine power plant in Mexico in 35 days. Simultaneously, we have delivered additional gas turbines into a large AI data center facility here in the United States. The steady recurring revenues from the asset management agreement have stabilized our financials in a very positive way. The rail car inspection portal business has largely been flat, but the rail industry has generally acknowledged it will be used very broadly in the coming years. As you will hear from Adrian, our financial situation has much improved from this time last year, and we remain confident on the guidance we've issued for this year. Over to you Adrian for the numbers.

Adrian | Chief Financial Officer:

Thank you, Chuck. As usual, before covering the specific results for the second quarter, I will discuss the state of the company and the transformation that we've undergone in the past 15 months since I returned as Chief Financial Officer. At that time, Chuck expressed his desire to put the company on a different trajectory. He asked me and other senior leadership to work as a team to identify ways in which we might direct considerable talent that had been assembled to redirect available resources, specifically financial, operational and technical. Thus, we might put to us on the path to significant growth and profitability. During the strategic planning that has led us to where we are today, we recognize that despite the outstanding achievements we had made in developing the technology underlying the rail car inspection portal, The speed at which the rail industry would adopt our solutions and, as a small company, our ability to influence the industry seemed as if the time it might take and the financial resources needed might not be compatible with providing the returns our shareholders are expecting, and shareholders whom I should say have been extremely supportive. The management team, under Chuck's leadership, identified that we needed to diversify the business into at least two distinct businesses, where the existing personnel has the skills and talent to rapidly undertake such a transition and make it successful in a relatively short space of time. Chuck has previously discussed the thinking behind teaming up with Fortress Investment Group to pursue a multi-hundred-million-dollar purchase of gas turbines for power generation, resulting in an estimated $42 million contract for DUIS to operationally manage those assets, as well as a 5% stake in the new APR entity, which we expect to be very accretive to shareholder value in the future. The other transition, Duos Edge AI, takes our expertise in edge data centers, which are referred to as EDCs or pods, developed for the rail car inspection portal, and under the leadership of Doug Recker, a 30-year veteran of the data center space, gives us the opportunity to participate in the rapidly growing market for data centers where the demand is considerable. These two initiatives put us in a completely different position than where we were just 12 months ago. With the support of our board of directors and major shareholders, we have been able to successfully negotiate the expansion of the business to the point where we have significant short-term revenue growth combined with longer-term sustainable growth, putting us on the path to profitability. Whereas we have been disappointed with the results of our legacy technology business in recent years, I am pleased to report that in many respects, we are beginning to make progress in this area as well, and which we expect will make a contribution to the financial results in the second half of this year. We are carefully evaluating our cost structure as it applies to the three subsidiaries with the expectation that we will rationalize accordingly and achieve economies of scale that were not previously possible with just a single line of business. As you're all no doubt aware, we have been active in the capital markets in the past 15 months, raising more than $50 million and an average price of $5.97, or more than double from just 12 months previously. For the first time in the company's history, we are sufficiently capitalized to take advantage of the new markets we have entered. In addition to the rise in the share price, our average trading volume has increased from less than 10,000 shares a day, what the street calls trade by appointment, to more than 300,000 shares per day. Before reviewing the formal results for the second quarter and first half and giving formal guidance, it is my expectation that revenues will continue to grow in each of the next two quarters. Chuck will discuss the individual business lines and give progress reports. But whereas our much improved results were largely driven by the execution of the asset management agreement in the first half, I expect to start seeing a broadening of the revenue sources to include the revenues from our EDC deployments as they come online. and also better performance from our technology systems revenue line, all of which are anticipated to support a movement towards and achieving breakeven profitability by Q4. With that in mind, here are the results for the second quarter and first half. Total revenues for Q2 2025 increased 280% to $5.74 million, compared to $1.51 million in the second quarter of 2024. And for the six months ended 2025, total revenues increased 314% to $10.69 million from $2.58 million in the same period last year. The substantial majority of our revenues for Q2 2025 was approximately $5.69 million in recurring services and consulting revenue, of which $4.76 million was primarily driven by Duos Energy, beginning to execute against the asset management agreement with new APR. As a reminder, under the AMA, Duos Energy oversees the deployment and operations of a fleet of mobile gas turbines and related balance of plant inventory, providing management, sales, and operational support services to new APR. Cost of revenues for Q2 2025 increased 144% to $4.22 million compared to $1.73 million for Q2 2024. And for the six months ended 2025, cost of revenue increased 191% to $7.86 million from $2.7 million in the same period last year. The significant increase in cost of revenues was largely due to supporting the AMA with new APR. Overall, the cost of revenues on technology systems decreased compared to the equivalent period in 2024. This reduction is primarily driven by our ability in Q2 2025 to reallocate certain fixed operating and servicing costs for technology systems to support the AMA, an allocation we could not make in the comparative period because the agreement was not yet in effect. It also reflects the ramp down of manufacturing ahead of field installation of our two high-speed rail car inspection portals, which has continued to temporarily slow project activity and further reduce the cost of revenues while we await customer readiness for site deployment. Gross margin for Q2 2025 increased 808% to $1.52 million compared to negative $215,000 for Q2 2024. And for the six months ended 2025, gross margin increased 2,462% to $2.83 million from negative $120,000 in the same period last year. Gross margin improved primarily due to DUOS Energy beginning performance at the AMA with new APR. This includes over $900,000 in revenue recognized during the three months ended June 30th, 2025, related to the company's 5% non-voting equity interest in the ultimate parent of new APR, which carried no associated costs and therefore contributed at a 100% margin. These revenues and the associated margin contribution were not present in the prior year period. As I mentioned earlier, the increase in business from the AMA has improved gross margins with further improvements expected due to the greater profitability for DOIS on certain aspects of the anticipated work it will perform on behalf of new APR. Operating expenses for Q2 2025 increased 65% to 4.96 million compared to 3 million for Q2 2024. And for the six months ended 2025, operating expenses increased 38% to 8.06 million from 5.86 million in the same period last year. The increase in expenses is largely attributed to non-cash stock-based compensation charged for restricted stock granted to the executive team on January 1, 2025 under new employment agreements with a three-year cliff-festing schedule. In addition, the company recorded additional compensation expenses for commissions and bonuses, of which our one time in nature relates the closure of the APR transaction and the associated asset management agreement and 5% ownership grant. Overall, sales and marketing costs declined as resources were allocated to the cost of service and consulting revenues in support of the AMA with new APR. Additionally, research and development expenses decreased owing to completed development and testing of prospective technologies. The company continues to focus on stabilizing operating expenses, including evaluating reductions in some areas, while continuing to meet the increased requirements of our new businesses. Net operating loss for Q2 2025 totaled 3.44 million compared to a net operating loss of 3.22 million for Q2 2024. And for the six months ended 2025, net operating loss totaled 5.23 million compared to a net operating loss of 5.98 million in the same period last year. The increase of the three months but decrease in loss from operations for six months was primarily the result of increased revenues compared to the equivalent periods driven by revenue generated by Dewis Energy through the AMA with new APR. Net loss for Q2 2025 totaled $3.52 million compared to a net loss of $3.2 million for Q2 2024. The 10% increase in net loss was mostly attributed to the non-cash stock-based compensation charge for restricted stock and one-time compensation expenses that were not in the comparative period, offset by an increase in revenues generated by Duos Energy through the AMA with new APR as described above. For the six months ended 2025, net loss totaled 5.6 million or negative 48 cents per share compared to a net loss of 5.96 million or negative 81 cents per share in the same period last year. The 6% decrease in net loss was mostly attributed to the increase in revenues generated by Duos Energy through the asset management agreement with new APR as described previously. In our last call, I highlighted the substantial improvement in the company's balance sheet as of 12-31-2024 and 3-31-2025. In the second quarter, we have largely maintained that strength. notably shareholders' equity, which now stands at over $4.7 million. We ended the quarter with $3.81 million in cash and expected short-term liquidity. As previously discussed, a significant asset for Dewis is the equity investment in Sawgrass APR Holdings, now referred to as New APR Energy. Our 5% holding in this business is currently valued at over $7.2 million, and is expected to generate profits in future years as a profits interest structure. As Chuck will discuss, the tremendous progress that new APR is making will be additive in the short term through the AMA, and in the longer term through the expected increase in valuation of our equity holding. All of this is positive for DUA's future potential, and I look forward to updating you further in our earnings call later this year. On the liability side, the company has traditionally operated with little to no debt other than some minor financing contracts related to insurance or IT equipment. As a reminder, in 2024, we received $2.2 million in debt funding for our initial three EDCs, and we're able to secure that for around 10% cost of capital, which is an attractive rate for a company of our size. We also secured additional financing for a further three EDCs in the form of a master capital lease with a similar cost of capital and flexible payment terms as we deploy these assets in preparation for the associated cash flows. I'm pleased to announce that shortly after the quarter, we retired the remainder of the $2.2 million in debt funding. Next, I would like to update you on our backlog and pipeline. With expected revenues for the management and operations of new APR energy, expected deployments of our edge data centers, and current and anticipated contracts in our rail business, Our current contracts and backlog represent more than $40 million in revenue, with approximately $12.3 million or more of that projected to be recognized in 2025, plus a further $5 to $6 million in expected near-term awards and renewals. During the last call, we confirmed annual revenue guidance, and I'm pleased to report that we are again maintaining that guidance where we expect to record between $28 and $30 million in consolidated revenue from our three subsidiaries. I would further add that we are making good progress on moving the company toward profitability and expect that we will achieve that goal in Q4 of this year on an adjusted EBITDA basis. This concludes my formal remarks, and at this point, I will turn the call back to Chuck for his commentary.

Chuck | President and CEO:

Thanks, Adrian. As you can see from Adrian's commentary, the business has made good progress since the beginning of the year. Let me add some additional details to my opening remarks. With our EDGE data center business, which we'll refer to as the EDC business going forward today, we have now fully commercialized our first EDC in Amarillo, Texas, which now allows us to confirm our financial assumptions around installation costs and recurring revenues. Currently, we are simultaneously installing the next five EDCs in Victoria, Corpus Christi, Waco, and Dumas, Texas. An additional four EDCs will come off the manufacturing line starting in mid-September and go straight into additional Texas sites. We have now ordered another five EDCs along with backup generators and expect to install those starting in November. As you saw in our press release this morning, the expansion of our strategic partnership with FiberLite, a leading provider of high-capacity fiber optic networks nationally, has really helped us accelerate our commercial pipeline in Texas. To reinforce the success of EVC business, we will be adding more data center expertise to our staff, our management team, and our board of directors in the coming two months. Again, now that we have all the ingredients in place, commercial demand, capital, and execution know-how, I fully expect to accelerate the edge of data center business as we have discussed and more. As Adrienne and I discussed earlier, our asset management agreement with APR Energy has been outstanding this first six months. Our team has assisted APR in deploying approximately 550 megawatts in the six months since the deal closed. Watching our team install a 150 megawatt fast power plant in Mexico in 35 days flat was a reminder of the quality of the team we have assembled. The team has also installed and is operating several turbines and a behind-the-meter solution for a large U.S.-based data center where good technical lessons are being learned in this new emerging power environment. The overwhelming demand for behind-the-meter power for large U.S.-based data center operators is at an all-time high and expected to stay this way for some time. As Adrian said, the AMA provides good recurring revenue in the near term, but the longer-term value of the 5% ownership stake in APR Energy is what investors should keep their eye on. The energy team is currently closing in on several longer-term data center deals that I expect will use all of APR's existing turbines and will likely trigger an effort to acquire additional megawatts to expand capacity and overall enterprise value. As we've already alluded to, our rail car inspection portal business has made relatively slow progress, but we are seeing a modest uptick in interest by our current customers and renewed interest from the Federal Rail Administration and labor unions. Both groups would like to see us use expand, both groups would like to see expanded use of this technology. That said, we are reassessing our strategy around this business line and will share the way ahead to our investors at some future date. In conclusion, our business is commercially and financially in a great position to take advantage of the super hot demand coming from the data center computing gold rush. Our edge data center and power lines of business are perfectly positioned with the right leadership and expanding pipeline and fully capitalized to accelerate our growth strategy. As always, I want to thank our business partners, board of directors, and our current shareholders for their continued support. I want to extend a special welcome and thanks to our newest shareholders who participated in the recent race. The outlook for DUOS looks very promising right now, and I'm excited to be able to lead it. Thank you for listening, and we'll now open up the call for your questions. Operator, please provide the appropriate instructions.

Operator | Conference Moderator:

Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star 2 to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up the handset before pressing the star keys. One moment, please, while we poll for questionnaires. Our first question comes from the line of Nico Cicchetti with RBC Wealth Management. Please proceed with your question.

Nico Cicchetti | Analyst, RBC Wealth Management:

Yeah. Hey, guys, congrats on the progress here. Just had a couple of questions. So can you give us what the fully diluted share count is right now? So you executed on the $40 million secondary, but you also did another $12.5 million at the market. So can you give us an idea of what that number is now?

Adrian | Chief Financial Officer:

Yes, I'm happy to answer that. It's exactly $25 million. That's right. 25 million shares at this point.

Nico Cicchetti | Analyst, RBC Wealth Management:

Yeah. So that that includes the convertible that's out there for like 474?

Adrian | Chief Financial Officer:

Every single share that you can count?

Chuck | President and CEO:

Yes. Fully deluded? Deluded. 25 million.

Nico Cicchetti | Analyst, RBC Wealth Management:

Okay. And then can you give us an idea of what it looks like maybe on a per share basis for what this non cash stock based comp was that you're referring to that kind of throws off the apples to apples comparison from a year ago?

Adrian | Chief Financial Officer:

Yeah, basically the non-cash comp is about – it's roughly about $1 million a quarter. I'm just looking at one of my analysts here. Yeah, about $1 million. So take $1 million, divide it by $25 million, and that will give you the answer.

Nico Cicchetti | Analyst, RBC Wealth Management:

Okay. Would you ever consider posting a non-GAAP earnings number just with some of these moving parts here just to try to make the situation a little bit more clear when we're trying to compare the year-over-year numbers?

Adrian | Chief Financial Officer:

Sure, Nick. That's a very good question. So traditionally we have not used non-GAAP financials. We have talked about it. Sometimes we will discuss them outside of formal financials. And part of the reason we haven't done it in the past is up until now there wasn't really that much to report on, particularly recently. But also there's more disclosure when you go into the – when you put non-GAAP financials up. So, yes, we will consider doing that in the future.

Nico Cicchetti | Analyst, RBC Wealth Management:

Are the non-cash items in the higher commission, I mean, are those truly a one-off, or are those something that you'd expect moving forward with what the new business looks like here?

Adrian | Chief Financial Officer:

All right, so you have to divide it into two areas. There's the non-cash.

Nico Cicchetti | Analyst, RBC Wealth Management:

No, I just meant moving forward, are these items that you'll expect to be more frequent, or were these truly a one-off here?

Adrian | Chief Financial Officer:

Yeah, that's what I was saying. So the commissions and bonuses related, it's really a timing issue. We're related to the APR deal, which was quite a complex deal. That is truly a one-time. There won't be any recurring on that.

Nico Cicchetti | Analyst, RBC Wealth Management:

Okay. So you gave the cash at the end of the quarter. Can you give us what the actual cash is now with the ATM and the secondary here?

Adrian | Chief Financial Officer:

Sure. It's just a hair under 40 million bucks.

Nico Cicchetti | Analyst, RBC Wealth Management:

Okay. And then do you have anything left on the ATM now?

Adrian | Chief Financial Officer:

The ATM is terminated. And we'll probably be putting a statement out on that in the next few days.

Nico Cicchetti | Analyst, RBC Wealth Management:

Okay. And then, Chuck, you talked about, you know, getting kind of some proof of concept here on what the recurring revenue picture looks like. Can you give us any information on like what an RPU number will be on each one of these data centers? I mean, is it something that is uniform where there's a decent average to be working off? I mean, obviously, what I'm trying to figure out here is just back of the napkin, you get 15 of these this year and then another 50 next year. You know, what does the revenue and profitability picture look like off of that segment of the business?

Chuck | President and CEO:

Yeah, the... All in it, we spend around 1.2 to 1.4 million to install a pod that's all the way from getting it manufactured and getting it into the ground and lit up. Once that happens and it's fully commercialized, where we now have our first one now in Amarillo and five more going in now, we're expecting and we're seeing proof points now that each pod should earn around 350 K and potentially as high as 500 K on an annual basis. But that's kind of a unit economics. So again, the proof points we're seeing coming out of Amarillo confirm our business case where ultimately we want to build out, you know, 150 or more of these. And so that was an important set of proof points for us, but now allows us to be very confident about our, our go forward projections.

Adrian | Chief Financial Officer:

Yeah. Because also the free cash flow on those units after year one is expected to be around $300,000 per year.

Nico Cicchetti | Analyst, RBC Wealth Management:

Okay. So let's call it maybe $400,000 and change annually off of each one of these things. So maybe we're pushing high 20s to $30 million of revenue off of 65 of these and then I've heard this number 150 a few times. I mean, that's obviously not formal guidance, but the plan is to get 65 of these out by the end of 2026. And then when you say 150, is that just kind of a, we'll call it a multi-year time frame end goal? Is that the end goal? Is that a midpoint? I mean, just anything in general. Yeah.

Chuck | President and CEO:

Yeah, so our plan this year is to finish the year with 15 installed. The plan next year, by the end of next year, 2026, is to have at least 65 installed on, you know, by the end of that year. And then subsequent year, 18 months, we want to get ourselves up to 150. So one of the proof points that we're working through right now is we're simultaneously installing five of these right this moment. And it's going pretty well. So I feel pretty confident. Right now the commercial pipeline will absolutely support those numbers. What's most important for us right now is to prove to ourselves that we can execute, you know, five or six of these things at the same time, which we're doing right now. And that will actually facilitate that growth where we can actually execute to that and realize the financials that come off of that.

Nico Cicchetti | Analyst, RBC Wealth Management:

So it wouldn't be outside the realm to say by the midpoint of 2028-ish that you've got 150 of these out in the fleet, maybe putting up $60 million in revenue based off the metrics you've given me here?

Chuck | President and CEO:

Yeah, I think that's very possible based on what we're seeing, yes. Okay. And, you know, now that we have the capital on the balance sheet, We can do that, and we're moving to it now.

Nico Cicchetti | Analyst, RBC Wealth Management:

That was my next question is with the sizable secondary here, you feel that's an appropriate level to at least get, you know, let's say the 65 up in cash flowing, and then that sets the stage to build the next, you know, X amount of these. So it's not where I guess I'm asking around the question of if you feel like you have an appropriate level of cash now capital on the balance sheet to execute all the way through 150 of these by mid-2027.

Chuck | President and CEO:

The answer is yes. I do not anticipate having to raise more equity capital. We have what we need right now to execute that plan through 2026. Obviously, we'll use the capital that we raised, you know, our own working capital that we're going to generate through the asset management agreement and other sources. And then once we get to that point, we're now capable of, if we want to, you know, taking additional capital down in the form of debt, with the idea that we don't want to dilute our shareholders any further.

Nico Cicchetti | Analyst, RBC Wealth Management:

Sure. Okay. And just from a timing standpoint, so it's 1.2 to 1.4 to procure one of these things. And then, you know, is it how many months or so to where it's delivered and actually up and running and cash flowing to you guys?

Chuck | President and CEO:

Yeah, that's a good question. So from the time we order an edge data center, It takes us about 90 days to have it manufactured and delivered to the work site. And then once it's delivered to the work site, it takes us about two weeks to install it. So it's a fairly simple install for us. And then, you know, there's probably another month or two to fully commercialize it because we're bringing in multiple customers into that co-location facility, both fiber providers and carriers, along with, you know, normal customers that take down each cabinet.

Adrian | Chief Financial Officer:

I was just going to add to that. Just, you know, if you're going to model this out, they vary from sometimes you'll start with an anchor tenant. Typically, it's three to five cabinets. But we have other examples, one we're working on right now, where basically the data center is full day one.

Nico Cicchetti | Analyst, RBC Wealth Management:

And then just from a revenue structure, so you own it as an asset on the balance sheet, and this is something that the customer is leasing from you? Or what does that look like?

Chuck | President and CEO:

Yeah, so basically we own and operate the co-location facility. So, yes, it's an asset on the balance sheet. Customers basically lease cabinets or cabinet space where they install their servers and GPUs. And we'll provide basically providing a hotel or co-location facility for various customers, you know, IT equipment.

Nico Cicchetti | Analyst, RBC Wealth Management:

Okay. So, it's truly a recurring revenue model, is it? Can you give me an idea what a rough gross profit margin will be once these things are up and running? Yeah, it's typically the... Sorry. Yeah, go ahead. Yeah.

Adrian | Chief Financial Officer:

No, absolutely. It's targeted in the mid-70s, low to mid-70s for gross profit. And then the unit economics of BitDar is targeted to be in the kind of just above 50. Okay.

Nico Cicchetti | Analyst, RBC Wealth Management:

This has been extremely helpful. I've taken enough time. I really appreciate all the information here, guys. Best of luck to you.

Chuck | President and CEO:

Thank you, Nico. Great questions.

Operator | Conference Moderator:

Thank you. Our next question comes from the line of Richard Jackson with True North Financial. Please proceed with your question.

Richard Jackson | Analyst, True North Financial:

Exciting development, fellas. Help me out here on the revenue you're reporting. If you own these data centers and you're paying for them, where's the revenue coming from? Help me out with that.

Chuck | President and CEO:

So, again, we obviously procure data. you know, own and then maintain this co-location facility. Each edge data center acts as a co-location facility. Inside each data center, you have 15 large cabinets. And so, what happens is customers effectively come in and lease power, space, as well as cross-connects in each of those cabinets. So, in each of these things, you've got multiple customers You know, it includes carriers, you know, people like Verizon, AT&T, Fiberlight, they're bringing the actual connectivity to the co-location facility. And then you have additional customers in our case where we have like region 16 has cabinets in there, Amazon Web Services has space in there, and then other similar type customers from that community or inside that data center, basically all paying rent, and that's where we make those recurring revenues.

Richard Jackson | Analyst, True North Financial:

Okay, so I want to make sure I'm doing the math here right. So when you say you reported $5.8 million, and let's leave the railroad business to the side, unless I shouldn't, you're collecting – let's just say you're collecting about – how many do you have up and running now, seven, eight?

Chuck | President and CEO:

No, we currently have one edge data center – fully installed and has just begun producing revenue. So the large majority of our revenue, and you'll see it in the transcript, the largest majority of our revenue is coming from the asset management agreement where we're providing those services to APR Energy. As we begin to finish additional installs and that recurring revenue, we'll build over time. Hopefully I got that right.

Richard Jackson | Analyst, True North Financial:

I'm saying inside my head you guys are burning about $1.3 million to generate $300,000 to $500,000 annually. Is that about right? You spend about 2.5 times in annual revenue?

Adrian | Chief Financial Officer:

You're speaking about the Edge data center. So the loaded cost of putting an Edge data center in initially was about $1.4 million. Now, that was the first one that we did. We've now rationalized and gotten some economies of scale on that. So that number is probably going to drop a little bit, maybe to 1.2. And yes, you're going to generate on that first year about 300 to 400,000, depending on whether they're full to start with or whether you're ramping them up and so forth. The question is, though, after that first year, typically these things are on very, very long-term contracts. Five years is very typical with five-year extensions. And in some cases where the carrier is involved, you're talking about 10 years. So after that, you've already spent the money. The G&A is very low. It's a relatively inexpensive business to run. And so you're generating about $300,000 in free cash every year thereafter.

Richard Jackson | Analyst, True North Financial:

Okay. So the way I'm envisioning this, and tell me if I'm saying it the wrong way, is that when you guys have 65 of these, you should be generating, you know, ballpark 20 million in recurring annual revenue? Correct. Maybe more than that. Okay. Okay, wonderful. Now, to meet your forecast for the year, I'm assuming you're going to have to do at least one quarter over 10 million out of the next two. how much more does the SG&A go up to generate almost double your revenue? Do you have a metric we can use for that?

Adrian | Chief Financial Officer:

Yeah, it doesn't. In fact, the SG&A is going to be flat. We're pretty much staffed at the level we need to be. As I mentioned in my part of the script, we are looking actually at SG&A expenses right now There's some areas of, and I'll just take the rail business, there's some areas of the rail business where there's probably some economies that we're going to be implementing there. We're at a different stage with that business, and we're really harvesting at that point. The edge data center business, we'll add a little bit of resource there, but in general, we're pretty well set for that. And then, as far as the asset management business is concerned with APR, We are completely staffed with that right now. And effectively, we are basically generating revenue off of that, and then we put our margin on top of that. So, no, I'm not expecting any increase in the overall SG&A. As I mentioned, and as to the previous call as well, we had in this particular quarter, we had some one-time charges that related to the deal back from the end of last year. So we'll, if you subtract out about a million dollars off the SG&A, that's kind of where we are right now on a recurring basis. Maybe a little bit, subtract a little bit more.

Richard Jackson | Analyst, True North Financial:

All right. Tally-ho. Thanks for the help. Thank you. Thank you.

Operator | Conference Moderator:

Thank you. And our last question comes from the line of Ed Woolwhip. Ascension Capital Markets LLC. Please proceed with your question.

Ed Woolwhip | Analyst, Ascension Capital Markets LLC:

Yeah, congratulations on all your progress. I saw that you recently had a power deal in Mexico. Can you talk about possibly, you know, expanding either the edge data centers or the power opportunity into either North America or international? Thank you.

Chuck | President and CEO:

Yeah, so very briefly, so APR won a deal to put 150 megawatts, which is six or mobile gas turbines and balancing plant into northern Mexico for a relatively short term contract, but an extremely healthy price. Obviously, through the asset management agreement, our team executed that and it went very well for us. We are currently putting additional power gas turbines into us data centers uh on some other short-term contracts um so so we are already in the united states ed uh deploying some of those power assets uh here in the us for you know larger uh you know big box data centers um with with behind the mirror uh power solutions again this is something relatively new in the market space so everyone's learning how to do you know all the data center developers are learning about behind the meter power but They're liking what they see so far. There are applications with our edge data center business for smaller behind the meter blocks of power. We haven't really gone down that pathway yet, but I think probably the next few months we may take a look at that. But it is certainly a part of the business that could emerge here over the next few months.

Ed Woolwhip | Analyst, Ascension Capital Markets LLC:

Is this opportunity meaning you may do more business in Mexico or Canada or possibly, you know, globally?

Chuck | President and CEO:

Yeah. So, you know, APR is a business, and I ran that business before, but did most of our work internationally. I think this time we are primarily focused on the U.S., the United States and U.S. data centers, but we will opportunistically do jobs in Mexico Canada is not a bad jurisdiction either. We are currently looking at one opportunity that's in Puerto Rico. But many of the APR used to operate in some very, I'll say, spicy jurisdictions. It's our plan to focus on very nice, less risky jurisdictions. Right now, the demand doesn't need us. Based on the demand in here in the United States, We're not going to have to go to those type of locations, but we're always willing to look at them opportunistically if it makes sense.

Ed Woolwhip | Analyst, Ascension Capital Markets LLC:

Great. Well, thank you, and I wish you guys good luck. Thank you. Thank you, Ed.

Chuck | President and CEO:

So at this time, we'd like to conclude our question and answer. I'll turn it back to you, moderator.

Operator | Conference Moderator:

Thank you. Before we conclude today's call, I would like to provide DUO's safe harbor statement that includes important cautions regarding forward-looking statements made during this call. This earnings call contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking terminology such as believes, expects, may, will, should, anticipates, plans, and their opposites or similar expressions are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks, and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based and could cause Technologies Group Inc.' 's actual results to differ materially from those anticipated by the four of the new statements. These risks and uncertainties include but are not limited to those described in Item 1A in Dual's annual report on Form 10-K, which is expressly incorporated herein by reference, and other factors as may periodically be described in Dual's filings with the SEC. Thank you for joining us today for Dual Technologies Group's second quarter 2025 earnings call. You may now disconnect.