NASDAQ:ELVA Q2 2025 Earnings Call Transcript

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Operator | Conference Operator:

Thank you everyone and welcome to the Electrovia second quarter 2025 financial results. At this time all participants have been placed on a listen only mode and we will open the floor for your questions and comments after the presentation. It is now my pleasure to turn the floor over to your host John Gibson Chief Financial Officer at Electrovia. Sir the floor is yours.

Operator | Conference Operator:

Thank you.

John Gibson | Chief Financial Officer:

Good afternoon everyone and thanks for joining today's call to discuss Electrovia Q2 2025 Financial Results Today's call has been hosted by Dr Raj Dasgupta, CEO of Electrovia, and myself, John Gibson, CFO. Today, Electrovia issued a press release concerning its business highlights and financial results for the three-month period ended March 31, 2025. If you would like a copy of the release, you can access it on our website. If you want to view our financial statements and management discussion and analysis, you you can access those documents on CEDARplus website at www.cedarplus.ca or on the SEC EDGAR website at sec.gov forward slash EDGAR. As with previous calls, our comments today are subject to the normal provisions relating to forward-looking information. We will provide information relating to our current views regarding market trends, including their size and potential for growth, and our competitive position within our target markets. Although we believe that the expectations reflected in such forward-looking statements are reasonable, they do obviously involve risks and uncertainties, and actual results may differ materially from those expressed or implied in such statements. Additional information about factors that could cause actual results to differ materially from expectations, and about material factors or assumptions applied in making forward-looking statements, may be found in the company's press release announced in the Q3 fiscal 2035 results, and the most recent annual information forum and management discussion and analysis under risks and uncertainties. as well as another public disclosure document filed with Canadian security regulatory authorities. Also, please note that the numbers discussed on the call are in U.S. dollars unless otherwise noted. And now I'd like to turn the call over to Raj.

Dr. Raj Dasgupta | Chief Executive Officer:

Thank you, John, and good evening, everyone. It is a pleasure to address you today as we discuss our Q2 fiscal year 2025 quarter. This quarter marks another key milestone in Electrify's maturation, not only in terms of financial results and achieving profitability, but also in how we are positioning the company for scale, margin expansion, and long-term market leadership. With our eighth straight quarter of positive adjusted EBITDA, strong order momentum, and funding secured for Jamestown, we are laying the groundwork for the next phase of our profitable and sustainable growth. We're also seeing an early impact from our strategy to develop recurring revenue streams, including energy service programs and software-enabled battery insights, which we expect to constitute more meaningfully over time. I'll go through some of our key highlights and updates for the quarter that underline the strengths of our business and our trajectory for growth. During the quarter, we delivered strong financial performance with $15 million in revenue, which is up 40% year-over-year, maintaining over 30% growth margins. Most importantly, we crossed the inflection point to provide a net profit of over $800,000. During the quarter, we closed a $51 million direct loan from the Export-Import Bank of the United States, a pivotal step towards expanding our lithium-ion cell manufacturing in Jamestown, New York. This project was well received at the bank and received the Deal of the Year Award for the Make More in America initiative. In tandem with the EXIM facility, we also closed a $20 million working capital facility from the Bank of Montreal. This financing significantly reduces our cost of capital and improves our working capital availability. We've had a very strong order intake during the quarter, with over $25 million in new orders. This momentum has continued into the current quarter, and we have strong visibility and confidence of further growth into our next fiscal year. Outside of our material handling vertical, we have seen growing interest for multiple robotic applications for which we are actively developing products. We also continue to feel growing interest for our high-voltage battery products. During the quarter, we announced we received orders from a second global construction OEM through our partnership with Sumitomo Corporation Power Mobility. This order is for high-voltage battery systems for our leading Japanese headquarters construction equipment manufacturer. We remain on track for our cell production in Jamestown mid-next year. We've placed nearly all our key equipment purchases and have qualified the material vendors for all the input materials for our lithium-ion cells. Notably, we had the foresight years back to avoid Chinese supply chains for this venture, including both on the materials and equipment side. This is going to protect us from potential future disruptions and is also something that many of our strategic customers are looking for. To support flawless execution in Jamestown, we have also added some key members to our staff, including a senior battery engineer with over 20 years' experience, who has joined us from LG Chem and was also closely involved in the construction and commissioning of a recent North American gigafactory. Our lab division continues to make progress with regards to our solid-state battery efforts. Currently, we have top-scale cycling consistently, and we are now working to scale our processes with larger equipment and further process optimization. With that, I'd like to pass the call back to John Gibson, who will go into the financial results in more detail.

John Gibson | Chief Financial Officer:

Thanks, Raj. QC marks a strong step forward in both our financial performance and operational readiness. We continue to build the financial muscle needed to support scalable, profitable growth. Positive cash flow operations and a stronger working capital base give us further confidence in our ability to fund other key initiatives in the second half of the year. Revenue for the quarter ended March 31, 2025, was $15 million compared to $10.7 million in the prior year. Revenue for the six months ended March 31, was $26.2 million compared to $22.8 million in the prior year. The increase in year-over-year revenue was driven by the increased customer demand. Our working capital capabilities have also increased considerably over the past few months, which has enabled more efficient executions. Going forward, we expect to further take advantage of a strengthening financial position to effectively execute on orders. We continue to move closer to our great even point of 50 million and maintain our 2025 revenue guidance, with the ramp-up continuing in Q3. Close margin for the quarter was 31.1%, a slight decrease from the prior year margin, primarily due to product mix and the prior year having some high margin prototype backings. Six-month close margin was 30.9% for 2025, and 31.8 for 2024. Companies are experiencing some marginal increased costs on certain components due to recent tariffs. However, these have been offset by continued optimisation of our supply chain and internal production efficiencies leading to an overall minimum effect on our growth margins. We don't expect further significant fluctuations going forward. Given this, management believes the company is well prepared to maintain strong margins throughout 2025 and beyond. Operating profit increased significantly, significantly for both the quarter and the year to date. Operating profit for Q2 2025 was $1.4 million compared to $0.79 for the prior year, and the six-month figure was $1.2 million compared to $0.69 in the prior year. And this also includes approximately $340,000 of non-recurring expenses from Q1 2025. Our adjusted EBITDA was $2 million for the quarter compared to $1.5 million in the prior year, with the six-month figure being 2.6 million compared to 2 million in the prior year. We have now recorded eight consecutive quarters of positive adjusted EBITDA. This gives us a strong capability to continue our close plans and support operations going forward. The company generated a net profit of 0.8 million for Q3 2025, a significant increase from the net loss of 0.8 million in the prior year. Furthermore, the company generated a net profit for the six months ending March 31st of 0.4 million created a net loss of $1 million in the prior year. Management believes the financial performance this quarter represents a true inflection point in their profitability going forward. Any further revenue growth, which we have line of sight for for the rest of the fiscal year, will contribute to increased overall profitability. The company generated positive cash flow provided by operations of $3.2 million, and net negative changes in working capital was $7.9 million, compared to an overall positive cash flow from operations of $0.3 million in the prior year. The movement in net changes to working capital is purely a timing issue, as tariff uncertainty during the quarter meant the majority of invoicing happened towards the end of March. To date, we have received over two-thirds of the total accounts receivable balance in cash. The company ended Q3 2025 with positive net working capital of $26.2 million, compared to negative working capital of $0.2 million in the prior year. A significant increase, and this demonstrates the continued improved financial and operational performance of the company, and management is committed to continue this positive trend. At March 31st, 2025, total debt was $13.1 million compared to $18.4 million in the prior year. The company had availability within its bank facility of over $10 million. Management continues to manage cash conservatively. Through the recent financing, we reduced our overall finance costs and provided us with additional working capital headroom as we increased production in 2025. We believe we have adequate liquidity to support our anticipated growth for the remainder of fiscal year 2025. That concludes the financial overview. I'll now turn the call over to Raj for concluding remarks.

Dr. Raj Dasgupta | Chief Executive Officer:

Thank you, John. In closing, Q2 reflects the beginning of a new growth phase for Electrovia, one defined by consistent execution, profitability, and increased visibility into long-term scale. Our strategy to develop U.S.-based manufacturing coupled with supply chains that are primarily North American or from Japan and South Korea appears to be a prescient decision today. I believe this provides Electrovia an additional significant competitive advantage going forward. Electrovia has all the pieces in place to achieve our vision of becoming the leading lithium ion technology and manufacturing company for the heavy duty and mission critical applications. This includes our highly differentiated lithium ion battery technology, a talented team, strong financial partners, profitability in our base operations, and leading customers and partners. In closing, we remain on track to exceed our $60 million in revenue for fiscal 2025, and with Jamestown advancing, we're confident in our path to becoming a leading North American manufacturer for mission-critical battery applications. That concludes our remarks this evening. John and I would now be pleased to hold a question-and-answer session.

Operator | Conference Operator:

Certainly. Everyone at this time will be conducting a question and answer session. If you have any questions or comments, please press star 1 on your phone after this time. We do ask that while posing your question, please pick up your handset if you're listening on speakerphone to provide optimum sound quality. Once again, if you have any questions or comments, please press star 1 on your phone. Thank you. Your first question is coming from Daniel Magner from Raymond James. Your line is live.

Daniel Magner | Analyst, Raymond James:

Hey, Raj. Hey, John. Congrats on a great quarter.

Operator | Conference Operator:

Thanks, Daniel.

Daniel Magner | Analyst, Raymond James:

Thank you. As it relates to the $25 million in new orders, are those all coming from the material handling segments, or are there different verticals that are in there?

Dr. Raj Dasgupta | Chief Executive Officer:

It's $25 million from just material handling, and on top of that is further orders from other sectors. So Carol Hanley still is the bulk of our business, and that's where most of the regular orders are coming from.

Daniel Magner | Analyst, Raymond James:

Got it. And I guess given what's happened in the U.S. and the new administration's policies, how has that impacted, I guess, the type and cadence of discussions you're having with customers?

Dr. Raj Dasgupta | Chief Executive Officer:

It's accelerating interest in our products. It's making us more competitive as well. We're a premium offering right now, and with uncertainty on pricing from some of our competitors, it's making us a more attractive option just from that. But also, what we're finding is customers are looking for long-term partners, and price is just one of those aspects, but we're able to provide that stability, especially with Jamestown coming online. Our financial position also helps with consistent and growing results. So I think all this is filtering into providing customers with added confidence to order more. So we're seeing quite a bit of that. We're also seeing interest from other sectors more so than we had previously, one being the energy storage space, where we're getting a strong pull. Of course, it takes a bit of time for us to get our products ready for that, but that's another area where we are well underway to launching systems for.

Operator | Conference Operator:

Okay. That's great, and congrats again. I'll jump back into you. Thank you. Your next question is coming from Eric Stein from Craig Hallam.

Operator | Conference Operator:

Your line is live.

Eric Stein | Analyst, Craig Hallum:

Hi, Roger.

Operator | Conference Operator:

Hi, John.

Eric Stein | Analyst, Craig Hallum:

Hey, Eric. Hey, so just going back to the orders and the $25 million just material handling, can you just go down into that a little bit? I know one of the themes here in the first half of the year is the recovery in orders or the resumption from your Fortune 100 customer. I know you've had some repeat orders from logistics and cold storage, et cetera. I'm just wondering if you could talk about how that kind of breaks down between that customer who's kind of resumed at higher levels, new customers, et cetera.

Dr. Raj Dasgupta | Chief Executive Officer:

Yeah, it's a combination of all the above. So that Fortune 100 customer placed fairly significant orders during the quarter. However, they're continuing the order in the current quarter, and we expect that number to grow substantially. So they're a big part of it. What we've also seen is one of our OEM partners has We launched a leasing program with them last year. That's generating a lot of mid-sized orders for us. That's great to see that momentum. So that's smaller orders, but those are very helpful to fill in the gaps with regards to production planning. And then other major end customers, we have a leading discount retailer who has been ordering consistently. and will be a major part of our fiscal 2025 revenue. And then both Raymond and Toyota are steadily providing us other customers as well. We're breaking into some other major end users as well, potentially with... energy services, looking at energy as a service as opposed to just selling the batteries. That's something that's currently not very significant for us, but it could become quite significant for us, especially in fiscal 2026. So it's a smorgasbord, really, of interest.

Eric Stein | Analyst, Craig Hallum:

Okay. Great color there. Maybe then just turning to some of the emerging applications, I know that now you've got a second construction OEM from Sumitomo. When you think about those new applications, I mean, I would think that Sumitomo opens up a significant number of potential customers in end markets, but do you think about that as you potentially add other trading house partners, or is Sumitomo get to the market reach that you want?

Dr. Raj Dasgupta | Chief Executive Officer:

Well, in Japan, it's very much a relationship business, and we have a great relationship with Sumitomo Corporation. I think we'll maintain that. We will not be looking to work with other trading partners. Right now, today, we have the two construction OEMs, which have been press released, but there's a great deal more of activity in the background. And we're very enthusiastic about the momentum that we're gaining out there in Japan. We'll probably be setting up a... operation there eventually as well to support some of that growth that we're seeing. So we're very, very pleased with that relationship that we've built up. And things move, you know, in the battery space. It takes time, of course, to get yourself qualified and into production programs. It doesn't happen overnight. But you have to seed those divisions. And then once you have, it turns into a garden eventually.

Eric Stein | Analyst, Craig Hallum:

And I guess just to follow up, and then I'll jump back in line, but the, as you said, great deal more activity in the background, is that more construction equipment, or has that broadened out to other applications?

Operator | Conference Operator:

There's two in construction.

Dr. Raj Dasgupta | Chief Executive Officer:

There's a third in construction as well we're talking to. There are other robotic applications that we're looking at in Japan as well. That seems to be the general focus.

John Gibson | Chief Financial Officer:

Yeah, the batteries themselves are very similar to each other, so application-wise, we can kind of fairly easily pivot towards a different size of vehicle.

Operator | Conference Operator:

Okay. Thank you very much. Thank you. Your next question is coming from Craig Irwin from Roth Capital.

Operator | Conference Operator:

Your line is live.

Dr. Raj Dasgupta | Chief Executive Officer:

All right. Good evening, and thanks for taking my questions. So, Raj, can you maybe comment a little bit about the forklift battery shipments in the quarter? Proportionately, were most of them into preexisting installations, any greenfield facilities out there? you know, how would you explain the mix within the forklift batteries? You know, I'd say it was approximately a 50-50 mix, which is new for us. Most in previous quarters, it's mostly new vehicles, new sites. This was a pretty diverse mix. With the discount retailer we've been supplying, that's mostly into existing distribution centers. With the Fortune 100 other customer there, it's, I would say, new sites. And then on the leasing program with Toyota, that's probably mostly existing distribution centers, smaller numbers, but adding up to becoming a significant sum. Excellent, excellent. And then maybe can you update us on the progress diversifying your markets, diversifying your reserve markets outside of the lift-up markets? You mentioned robotics. You know, there's a long list of different things that you are addressing, everything from rail to military opportunities. Where do we sit right now with the – the different customers that you're working with there. You know, you shared the second construction customer with Sumitomo. That's online now. But, you know, any additional colors that you could share with us as far as repeat orders or test packs as far as, you know, where the customers are in their evaluations for follow-on orders and extension to other opportunities? So with one of our defense customers, they've placed repeat orders, placed another repeat order just like last week. So, again, it's small numbers, but it really demonstrates that the relationship is building and we're tracking to something more meaningful. So we're seeing that type of activity on robotics. We've had a long history with a group called Jabil. They have been a relatively minor part of our revenue over the last few years, but started to scale things with us. Now we've received more meaningful orders and are expecting to get into additional platforms with them. So that's exciting. Then there's a group called Fashion Solutions, similar idea there. So we're seeing some more activity in the robotics space. Airport ground equipment, again, feed orders in that space as well. That's one which is a fairly adjacent market to material handling. And what have I missed there? So that's about it. Construction, of course, we've mentioned that. So those are the areas that we're seeing a fair bit of activity, and I'd expect those to... to scale up in next fiscal year. Excellent, excellent. And then last quarter we talked about the potential to maybe pull forward pack production in Jamestown. You know, can you say whether or not this is a priority at the moment? Is this something that helps you strategically, given that this facility will be producing cells in the not-too-distant future? And does this maybe improve the – potential for customer capture as you're looking at growth markets. So we have started that operation already, correct? So we have a team there, and they're already working. So the plan is that we'll have – that the Jamestown operations will support our growth. So they will be taking care of a certain portion of our targeted manufacturing goals. over the next 12 months. That gets the team there very familiar with lithium-ion batteries, specifically our batteries, and well-prepared for what happens afterwards, which is when the cell and module production starts up. So that's already in place. I think it benefits Electrify significantly in the fact that it provides us added capacity. So instead of maybe adding a second shift here in Mississauga, we can have operations in both plants, meet our growing targets, and... and it really benefits us operationally. So we're seeing that. In terms of it attracting additional customers, I'm not sure just yet. I think the cell and module production that's scheduled next year really is a piece that is attracting a lot of interest. because we'll be one of very few lithium-ion battery plants that can support customers in North America. Great. And then lastly, if I can ask a financials question. So your total debt was down, I guess, around $3.8 million sequentially, but the BMO facility is going to also deliver you, I believe, some substantial interest. Can you update us on the – the interest rate on the BMO facility, how this compares to your legacy facility. And, you know, should we expect you to be using that for growth working capital so that, you know, the net interest can actually trend up? Or is this something where, you know, you're going to continue to have a very tight balance sheet and we'll see actual cash interest, you know, tightly controlled possibly going down over the next few quarters?

John Gibson | Chief Financial Officer:

Yeah, good question, Craig. Interest savings are over five points from our previous lender. So what I'll say there is that it is a specific working capital loan. We're always going to manage that tightly and save on our finance costs. There's no point having millions of dollars in the bank if we're paying the interest on it. So you're always going to see that. It will fluctuate based on timing as these things all do and cash receipts and payments come during the weeks and the months. Essentially, this facility will allow us the room we need to grow and grow quickly. And that's what we were looking for in a banking partner, someone who is flexible. From an interest rate perspective, obviously, we have We can split our loan within Canadian and US dollars as we see fit and as our suppliers require it. So you're going to get different rates north and south of the border. But we're able to manipulate where the money fits to save on our interest costs.

Dr. Raj Dasgupta | Chief Executive Officer:

Understood. Well, congratulations on the solid EBITDA number. It's impressive. Thank you.

Operator | Conference Operator:

Thanks.

Dr. Raj Dasgupta | Chief Executive Officer:

Thanks, Craig.

Operator | Conference Operator:

Thank you. Your next question is coming from Samir Joshi from HC Wainwright. Your line is live.

Samir Joshi | Analyst, HC Wainwright:

Hey, good afternoon, guys. Congrats on a good quarter. Just following up on sort of previous questions, will you just let us know whether the Ex-Im Bank loan is going to be drawn down upon as you order and pay suppliers or is this already in your bank and you will be paying interest starting now?

John Gibson | Chief Financial Officer:

So this is, it's a draw-based facility. So what we've done is we've issued all the purchase orders and when those are due for payment, we'll draw from Exum and pay. There's not really much point in us drawing it before it's due because otherwise we're going to incur interest on that. So we're just going to target the due dates. And from that moment on, that's when the interest accumulates.

Samir Joshi | Analyst, HC Wainwright:

Makes sense. In terms of operating expenses, you have started initial assembly at the GameStop security and are targeting mid-next calendar year for full commercial operations. Should we expect to see an uptick in operating expenses or any additional expenses will be sort of cogs yeah majority will be tough okay and then the last question from me is you have maintained your guidance but have come very strong in the second quarter historically third quarter is relatively flat to second and the fourth quarter fiscal quarter is quite a jump If you do that, then it seems you might exceed, well exceed the 60 million guidance. Is that what you're looking at, especially looking at your 25 million orders issued this quarter? Should we expect that kind of advance?

Dr. Raj Dasgupta | Chief Executive Officer:

Yes, we want to be conservative. However, we are expecting Q3 to show meaningful sequential growth. That's, you know, halfway through the quarter. So, we'll most definitely exceed that. a Q2 result, and we hope to maintain those into the Q4. So, yes, we potentially can exceed our guidance by a strong margin, but we don't want to put it on... We don't want to have it... Yeah. There's a lot of volatility in the market right now, so I think it's a prudent thing to keep it constant.

John Gibson | Chief Financial Officer:

We'd rather have... continued growth in a healthy state through the year.

Samir Joshi | Analyst, HC Wainwright:

I would like to squeeze one more. You mentioned some of the applications and it seems that these could be newer applications. These could command higher prices and could be higher margins. Should we think of it that way or is it going to be the same form factor and pricing and margins for everything?

Dr. Raj Dasgupta | Chief Executive Officer:

So we want to maintain, we don't want to go after any verticals where we can't get at least 30% margins. Of course, some of those verticals will be higher margins, especially on defense, for instance, the volumes will be lower. So on margin wise, we will most definitely continue to exceed 30% threshold. Now, with all the uncertainty on material prices as of late, it's harder to predict things, but we expect that the Jamestown cell and module production are going to enhance margins, whether IRA exists or not at that point. So generally speaking, when it comes to mining or construction or robotics, they're all strong margin applications.

Samir Joshi | Analyst, HC Wainwright:

Got it. Thanks for taking my questions and good luck.

Operator | Conference Operator:

Thanks, Amir. Thank you. Once again, everyone, if you have any questions or comments, please press $1 on your phone. Your next question is coming from Jeffrey Campbell from Seaport Research Partners. Your line is live.

Jeffrey Campbell | Analyst, Seaport Research Partners:

Thank you, and congratulations on the strong quarter. Ron, I wanted to start with something that's probably a little off the track, but UCF recently announced a 20K head layoff. They said they were closing 70-plus facilities, and Somehow they tried to blame Amazon for the comeback. I just thought to ask how your leasing business, which I assume UPS would be most relevant to, continues to progress.

Dr. Raj Dasgupta | Chief Executive Officer:

So, you know, there are always going to be fluctuations with regards to these third-party logistics companies. Some do better, some do worse. But generally speaking, The industry as a whole is growing, and the need to re-power lead-acid batteries is increasing. So that's what we're seeing. We're seeing that transition from lead-acid to demanding better batteries, and that's driving growth in orders for us. Previously, we got very little in the way of orders from third-party logistics companies, primarily because they get five-year contracts. And now with this program that we have with Toyota material handling, they're getting quite a bit of interest from that sector. So I don't want to speak about UCF specifically, but we're seeing demand going up, and that's all we can really comment on.

Jeffrey Campbell | Analyst, Seaport Research Partners:

So that's all we really care about. That's fine. You mentioned the possibility of setting up an operation in Japan. I just wondered, as you're saying, does this mean an assembly facility or – might the country want a Jamestown-sized facility? No, no.

Dr. Raj Dasgupta | Chief Executive Officer:

It would start out at, you know, if volume goes dramatically upwards, we would consider an assembly phase. But the first phase of it would be to support customers there. So that's more like service, sales support, that kind of thing. And then as demand grows, It would follow demand, so if demand reached a certain threshold, we would consider assembly there as well.

Jeffrey Campbell | Analyst, Seaport Research Partners:

As you noted, robotics was an early point of activity for ElectroBear, but it sounds like this is ready for a new phase. I'm just wondering if you could provide some color on what sort of robotics applications are really driving the potential growth.

Operator | Conference Operator:

So it's a variety of things.

Dr. Raj Dasgupta | Chief Executive Officer:

There's material handling robotics. There's automated cleaning. There's automated monitoring. All sorts of new products by exciting companies that are getting launched. And what's common to them is they need good batteries. And we'll be there to support them with that.

Jeffrey Campbell | Analyst, Seaport Research Partners:

And finally, regarding battery storage for energy of service, What battery modifications are you needing to make relative to material handling, if any?

Dr. Raj Dasgupta | Chief Executive Officer:

Not really needing to make any modifications. We have software to support that, which we have already developed.

Jeffrey Campbell | Analyst, Seaport Research Partners:

Okay. Is that software similar to the things we talked about in the past with the Monitoring the energy consumption of the batteries in a warehouse-type environment or is it something... Exactly.

Dr. Raj Dasgupta | Chief Executive Officer:

Downloading.

Jeffrey Campbell | Analyst, Seaport Research Partners:

Yeah. Okay, great. All right. Thanks a lot. I appreciate it. Thanks, Jeffrey.

Operator | Conference Operator:

Thank you. Your next question is coming from Aaron Martin from A Investment Partners. Your line is live.

Aaron Martin | Analyst, A Investment Partners:

Hi, Rob. Hi, John. Congratulations on the continued progress. A lot of the questions have been covered. You had very large amounts of orders in the first half of the year and it really even went into the year with some of the greenfield opportunities that we were expecting to happen last fiscal year due to the time that the customer got pushed out to this year. Are those still on track, the orders that we thought were going to be in fiscal 2024? Are they still on track for 2025?

Dr. Raj Dasgupta | Chief Executive Officer:

Well, some of those got delivered. Actually, one of them has moved to 2026, but it's not going to affect our revenue guidance at all because we're getting other orders. So when it comes to new buildings, the timing sometimes is a bit unpredictable sometimes. But generally speaking, the trend, I would say, is we're seeing the order rates being sustained. It's not just happening in the early part of the year. I would expect it to continue that type of – based on what we hear from our pipeline, right? So there's orders that are issued, and then there's orders that, of course, are discussed and in place.

Aaron Martin | Analyst, A Investment Partners:

So you find that really – Yeah, I guess that's literally my next question. Are we, you know, as we think about the pipeline for 2026, is that starting to build now, whether as orders or as, as you said, you know, pipeline, the heads up against the customers? How should we start thinking about that?

Dr. Raj Dasgupta | Chief Executive Officer:

Yeah, so we already have orders in hand, which are, you know, significant numbers of orders in hand, which are due for 2026, and then pipeline on top of that that's been communicated. For instance, with the Fortune 500 discount retailer, they've given us a fairly strong indication of what they are looking to do in 2026, and it would be probably larger than what they were expecting in 2025. Similar kind of communications from other major end users, including Fortune 100. customer we have. So we're getting the visibility for 2026 is it's getting better by the day and it's good timing because we really want to ensure that 2026 and fiscal 2027 numbers we can maximize the production out of Jamestown. So that's what we wanted to see and that's what we're headed towards based on what we've based on information at hand right now.

Aaron Martin | Analyst, A Investment Partners:

Got it. Switching gears a little bit towards gross margin. You've done a great job there. When it comes to tariffs, I want to differentiate between the short-term and the longer-term. Obviously, the Jamestown facility and that act of having cell production there is incredibly interesting to the customers. But in the shorter term, before Jamestown is up and running on the cell side, how do you think about tariffs and your, you know, cost of goods.

Dr. Raj Dasgupta | Chief Executive Officer:

Yeah, so tariffs are affecting some material prices, and they've gone up. At the same time, we've managed to get some material prices to go down, and then we've had optimizations in our own assembly process. Remember, $15 million in revenue is still, I would say, on a quarterly basis, a relatively small number. We hope to get to much larger ones. And so our buying power is growing, and that's offsetting any of these cost increases due to tariffs. So I would expect us to maintain margins where they, you know, probably where they are, maybe grow them a little bit. And then when we start James Town, of course, I would expect margins to grow more sharply.

Aaron Martin | Analyst, A Investment Partners:

And does any of that involve, you know, passing on price increases to your customers, or that really hasn't been necessary?

Dr. Raj Dasgupta | Chief Executive Officer:

You know, it really has not been necessary. What we have noticed, though, is most of the competition has been increasing prices, so there's an opportunity to do so if we thought we should, but right now we're not seeing the need to do so. and it's making us more competitive as a result.

Aaron Martin | Analyst, A Investment Partners:

Okay, great.

Operator | Conference Operator:

Congratulations on the progress again.

Operator | Conference Operator:

Thanks, Aaron. Thank you.

Operator | Conference Operator:

There are no further questions in the queue. That concludes our call, and thank you for listening.

Dr. Raj Dasgupta | Chief Executive Officer:

We look forward to speaking with you again after we report our third quarter 2025 results. Have a wonderful evening.

Operator | Conference Operator:

Thank you. Everyone, this concludes today's event. You may disconnect at this time and have a wonderful day. Thank you for your participation.