

NASDAQ:OSS Q2 2025 Earnings Call Transcript

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Mike Knowles | President and CEO, One Stop Systems:

your program is about to begin.

Operator | Conference Operator:

Good day and welcome to the One Stop System Second Quarter 2025 Conference Call and Webcast. At this time all participants are in a listen-only mode. Later you'll have the opportunity to ask questions during the question and answer session. As a reminder, this call is being recorded. As part of the discussion today, the representatives from OSS will be making certain forward-looking statements regarding the company's future financial and operating results, including those relating to revenue growth as well as business plans, bookings, and the company's multi-year strategy, business objectives, and expectations. These statements are based on the company's current beliefs and expectations and should not be regarded as a representation by OSS that any of its plans or expectations will be achieved. Please be advised that these forward-looking statements are covered under the Please also be advised that actual results could differ material from those stated or implied by the forward-looking statements due to certain risks and uncertainties, including those described in the company's most recent annual report on Form 10-K, subsequent quarterly reports on Form 10-Q, current reports on Form 8-K, and recent press releases. Please read these reports and make sure that you are aware of the information and other future filings that OSS will make with the SEC. OSS disclaims any duty to update or revise its forward-looking statements except as required by applicable law. It is now my pleasure to turn the conference over to OSS President and CEO Mike Knowles. Please go ahead, sir.

Mike Knowles | President and CEO, One Stop Systems:

Thank you, Aaron. Good morning, everyone, and thank you for joining today's call. I'm pleased to report another quarter of progress highlighted by -over-year growth in both revenue and gross margins for the second quarter. Most notably, we ended the quarter with one of the highest-level bookings in our history. This strong start to 2025 underscores the solid foundation we have built as we capitalize on increasing demand from both defense and commercial customers for our rugged, enterprise-class compute solution. As a reminder, we implemented several strategic actions in 2023 and 2024 to reposition OSS for growth. These included strengthening our leadership team with proven defense industry executives, launching a multi-year strategic plan, rebuilding our -to-market approach, expanding our sales pipeline, and driving higher gross margins. I'm proud of what our teams have accomplished across each of these initiatives and believe we're well positioned for strong growth and improved profitability in the second half of 2025 and beyond. We continue to pursue strategic growth opportunities that leverage our high-performance edge-compute solutions to meet the growing demands of AI, machine learning, autonomy, and sensor fusion at the edge. Our pipeline is expanding across leading defense organizations and advanced commercial enterprises that seek trusted, proven partners like OSS. As I outlined last quarter, our sales strategy centers on three priorities. First, we are pursuing development work with prime platform vendors to design OSS into key platforms and become the incumbent supplier. We believe this will result in positioning OSS as the best value and provider of choice going forward. Next, we are focused on expanding the number of OSS systems that are integrated into existing platforms and customer systems. Finally, we are leveraging our integrated compute and storage architecture to deliver higher-value turnkey solutions. Validated in the success of these priorities, our OSS segment has generated one of the highest levels of bookings in our history over the first half of the year, totaling \$25.4 million and representing a -to-bill ratio of 2.3. In Q1, we secured a record \$6.5 million contract

from the leading defense and technology company for 80 high-performance servers and field-programmable data array systems engineered for mobile tactical military environments. This win represents the first large-scale success from our strategy aimed at our goal of establishing OSS as an incumbent supplier on next-generation defense platforms. We also received a third order from a major defense contractor in Asia for an autonomous maritime application. The latest \$340,000 order follows a \$200,000 award in December 2024 and signals a transition from system development to production deployment. Based on current forecasts and the expected expansion of our customers' product line production, we expect approximately \$4 million in cumulative sales between 2026 and 2029. In Q2, we received new awards from the U.S. Navy and the leading crime defense contractor to support the P-8A Poseidon reconnaissance aircraft. These awards, for \$5 million and \$3.9 million respectively, showcase our intent to become the compute and storage provider of choice for next-generation AI-driven applications at the edge, as well as our platform-focused growth strategy. To date, we have recognized lifetime contracted revenue of over \$50 million on the P-8 platform. In addition, we have previously announced a five-year sole source supply agreement and a five-year extension for support, which involves equipping the P-8 aircraft to ground-based stations with high-capacity flash storage systems, fair flash storage canisters, and related support services. We also received a \$2 million production order from a leading medical imaging OEM, underscoring the growing relevance of our compute and storage solutions in healthcare. We believe the total value of this program will represent over \$25 million of revenue over the next five years. Across our pipeline, demand remains strong, supported by growing interests for our enterprise-class compute solutions, and we anticipate further commercial and defense announcements in the coming months. In addition, we are seeing signs of stabilization in our European markets that are served by our Bresner Operating Unit. Recent bookings and revenue within our Bresner segment have been in line with our targets, and Bresner remains on track to achieve higher sales and profitability for 2025 as compared to last year's results. Looking ahead, we believe OSS is uniquely positioned to capitalize on multi-year growth opportunities, driven by accelerating adoption of artificial intelligence, machine learning, autonomy, and sensor fusion at the edge. As these requirements become increasingly central to defense and commercial innovation, customers are turning to trusted partners like OSS with proven expertise in rugged enterprise-class compute solutions. In support of this, we've increased R&D investments in 2025 to capitalize on emerging opportunities we see developing within our markets. In July, we announced Ponto, the world's first PCIe Gen 5 GPU expansion platform, purpose-built for commercial data centers. This product was designed to address the growing composable infrastructure market, a market expected to grow from \$5.87 billion in 2024 to \$28.44 billion by 2031, according to verified market research. This launch is aligned with our commercial strategy to deliver standard products in addition to customized solutions, and marks pivotal steps in OSS's evolution toward leading the transformation of composable infrastructure and enterprise-scale AI compute by also generating new commercial opportunities. Ponto is engineered to bring high-density enterprise-class compute optimized for composable infrastructure environments. It enables dynamic resource pooling and real-time orchestration of compute, storage, and networking to efficiently scale workloads up or down based on application demand. Ponto is ideally suited for space-constrained deployments such as remote data centers, corporate campuses, hospitals, and research-intensive universities, where performance, density, and operational flexibility are critical. We're excited about the long-term commercial opportunity this product and platform represents. We're actively engaged with potential customers about deploying our new data center solution, which we expect will begin contributing to revenue in 2026. Beyond the potential of our Ponto product, we are executing against a growing pipeline in both commercial and defense markets. Our delivery of a rugged compute solution for combat vehicles for the U.S. Army remains under test and evaluation, which is expected to continue for the remainder of the year. We continue to transform the business, and I am encouraged by the growing number of multi-year platforms we are now supporting, as demonstrated by the continued growth on the P-8 for the U.S. Navy and recently announced ongoing production orders for Medical Imaging Device Company and the Autonomous Maritime Product for Leading Defense Prime in Asia. Pursuing these types of platform opportunities is an important component of our strategy. We believe that our bookings growth to date in 2025 points to sustained demand for our products. We are receiving a more diverse mix of larger orders that are extending over multiple periods, compared to other order trends in prior years. These higher quality orders further support our strategy to build more predictable revenue streams, and we are building backlogs for 2026 as our business scales to meet rising

market demand. Consistent with our expectation for stronger second half performance in 2025, we expect OSS segment revenue approximately \$19 million in the second half of the year, compared to \$11 million in the first half of this year. At this level of second half revenue, we would expect positive EBITDA in our OSS segment in the second half of 2025. As a result, we expect full year revenue within our OSS segment of approximately \$30 million, representing over 20% -over-year growth. On a consolidated basis, we continue to expect revenue of \$59 million to \$61 million for the full year of 2025, based on current bookings, orders, and market conditions. In addition, we expect EBITDA to break even for the full year of 2025. I'm excited about the opportunities ahead and look forward to reporting on continued execution and success in the quarters to come. Finally, I want to thank our entire team for their dedication, innovation, and relentless focus on delivering results for our customers and shareholders. So with this overview, I'd like to turn the call over to Dan. Thank you, Mike, and

Dan | Chief Financial Officer, One Stop Systems:

good morning to everyone on today's call. In Q2, we achieved strong operating performance and continued to build momentum for sustained growth. We believe that OSS segment book to bill of 2.6 for the second quarter and 1.63 for the trailing 12 months demonstrates that our technology is resonating with customers and validates our strategic focus on securing platform position with differentiated edge computing technology. With record bookings in the first half of 2025, we are on track to achieve our full year guidance and to execute on our robust growth and profitability objectives for the second half. Now for a quick overview of Q2 2025 financial performance. For the second quarter, we reported consolidated revenue of \$14.1 million compared to \$13.2 million last year and \$12.3 million for the 2025 first quarter. The .9% -over-year increase in consolidated revenue was the result of approximately \$239K of higher OSS segment revenue and \$669K of higher Bregner segment revenue. Second quarter sales were in line with our expectations and as Mike outlined in his prepared remarks, we continue to expect revenue and profitability to grow at a higher rate in the second half of 2025. Consolidated gross margin in the second quarter expanded 610 basis points to .3% compared to .2% in the prior year quarter. On a segment basis, gross margin for the company's OSS segment improved to .3% compared to .9% for the same period a year ago. The .4% increase was due to the non-recurrence of an inventory charge recognized in last year's second quarter as well as a more profitable mix of products shipped this year. Year to date, OSS segment gross margin has benefited from both operational efficiency and a favorable product mix. We do expect some level of variability in gross margins quarter to quarter based on absorption, product mix, and program life cycles. On a sustained basis, we continue to target OSS segment margins in the mid-30s to low 40s. For full year 2025, we now expect OSS segment margins in the 40% range up from our prior guidance of mid to upper 30s. The company's Bregner segment had gross margin percentage of .3% in the second quarter. The 120 basis point decrease from the same period last year was primarily due to product mix. Total second quarter operating expenses increased .6% to 6.2 million. This increase was predominantly attributable to higher R&D expenditures, reflecting targeted investment in new product development. For the second quarter, the company reported a gap net loss of 2 million, or 9 cents per share, compared to a net loss of 2.3 million, or 11 cents per share in the prior year quarter. The company reported a non-gap net loss of 1.5 million, or 7 cents per share, compared to a non-gap net loss of 1.8 million, or 9 cents per share in the prior year quarter. Adjusted EBITDA, a non-gap metric, was a loss of 1 million compared to an adjusted EBITDA loss of 1.4 million in the prior year second quarter. Turning to the balance sheet. As of June 30, 2025, OSS had total cash and short-term investment of 9.5 million, no borrowings outstanding on our \$2 million revolving line of credit, and a consolidated balance outstanding on our term loans of 1.2 million. For the six months ended June 30, 2025, OSS used 1.5 million in cash from operating activities, compared to operating cash flow of 1.2 million for the six months ended June 30, 2024. The change from the prior year period was primarily due to the timing of working capital. As Mike mentioned, we believe we are on track to achieve our 2025 annual guidance, including 20% plus -over-year revenue growth for the OSS segment and EBITDA break even at a consolidated level. Our strong first half bookings give us valuable visibility into our second half ramp. As we move through the second half of the year, we are focused on disciplined execution, including managing our supply chain and achieving our

planned production ramp. We also remain focused on continuing to drive growth by investing in our technology and securing new platform opportunities that will provide sustained multi-year revenue streams. I look forward to updating you on our success. This completes our prepared remarks. Operator, please open the call to questions.

Operator | Conference Operator:

Certainly. At this time, if you would like to ask a question, please press the star then one on your telephone keypad. You may withdraw your question anytime by pressing star then two. Again, it is star then one to ask a question, and we can take our first question from Scott Cyril with Roth Capital. Your line is now open. Hey,

Scott Cyril | Analyst, Roth Capital Partners:

good morning. Thanks for taking my questions. Great job on building the backlog and providing that outlook into the second half of this year. Hey, Mike, to dive in, in terms of the OSS outlook or core OSS outlook implies a pretty significant ramp up on that front. The counterweight to that, I guess, is maintaining your existing 2025 guidance implies that there's some decline on the Bresner side of the equation. And wondering if anything is going on on that front specifically in Europe or otherwise it sounded like things were getting better there or you guys just being conservative. And then looking out to 2026, I know it's early, but you're building a nice pipeline and opportunity set. Does that mix in terms of OSS and Bresner continue off of the second half base?

Mike Knowles | President and CEO, One Stop Systems:

Yes, thank you, Scott, for your questions. I'll let Dan give you a quick summary of how the Bresner line is coming in. But we've seen we've been happy with their performance compared to last year and and the growth they're showing. And we have seen market recovery in the economic outlook in Germany and Europe. But also, if you've been watching the news, the increased interest in the defense market in Germany and Europe now has started to pose opportunities that would go into 2026 and beyond. So we'll be looking to hopefully take advantage of some of those. But I'll let Dan give you some color on the mix between OSS and Bresner.

Dan | Chief Financial Officer, One Stop Systems:

Yes, what I'd add. So in our guidance, we've modeled Bresner second half, roughly in line with the first half. Certainly, as we put our guidance together, we track a range of opportunities and risks and strong backlogs, strong bookings from the first half of the year do give us a lot of opportunity to drive them up side. But we are remaining cautious in our outlook at this point, mostly because of the significant ramp that we have in the second half of the year. And all the work that we have to do with our supply chain and with our production to make sure we're able to achieve that. So I think there's opportunities, but we are remaining cautious in our guidance.

Scott Cyril | Analyst, Roth Capital Partners:

Gotcha. And just in extrapolating the strength in core OSS of 20% growth, does that continue into 2026, given what you're seeing right now in terms of the early key leaves of wins in the existing pipeline?

Mike Knowles | President and CEO, One Stop Systems:

Yes, that's for OSS segment. The way our pipeline looks out for multiple years, we continue to believe there's opportunity for us to continue to grow OSS at that rate. So the ratio of revenue comparatively between OSS and Bresner will change as time goes forward because of the anticipated larger growth rates in OSS compared to the growth we'll see in Bresner. The growth rates expected for Bresner will be consistent with historical growth that we've seen in Bresner that they're back in line to forecast to achieve this year.

Scott Cyril | Analyst, Roth Capital Partners:

Great. Very helpful. And Mike, on the data center front, you've had some comments in the past, this opportunity is starting to open up to you guys. I'm wondering if you could provide us with some quick thoughts and comments in terms of what you're seeing in that pipeline and what's going on from an AI partnership standpoint.

Mike Knowles | President and CEO, One Stop Systems:

Yes, thanks. We're excited about these products. We've seen the data center markets making a quick shift here recently into higher wattage available GPUs and card sets. And so we've adjusted some of our product lines to quickly take advantage of that and being able to provide high density GPU and card at the much higher wattage card sets. And so dissipating that heat, making them available. So we've been able to rush some of those markets, those products like Ponto to the market to help some of our customers and partners in that field. So we're, as I mentioned in the comments, we're looking into 2026 to see those start to move forward, along with just some of our standard products that we have aligned to the data center, especially around GPU expansion servers. And then we'll start to see the next generation of PCIe start to come to the market and we'll have products aligned for that also. So we're hopeful to see a pickup in the data center business as we continue through the quarters. We'll keep you updated on that. And then I'm sorry, Scott, the last part of your question was...

Scott Cyril | Analyst, Roth Capital Partners:

Oh, AI partnerships from the software vendors. I think you've been talking to various guys to help pull you through the channel.

Mike Knowles | President and CEO, One Stop Systems:

Yeah, exactly. So we continue those as a normal course of business. We continue to align with new and existing AI partners as they roll through there. And align on either more fully integrated solutions for our customers and or for our product sets can serve as the base of compute for AI companies. We continue to move through those as we formalize more strategic relationships. We'll look to announce those.

Scott Cyril | Analyst, Roth Capital Partners:

Great. And let's say we could, Mike, you mentioned about higher-watt GPUs, but there are some architectural shifts that are going into the data center as well in terms of inference processing or AI accelerators. Are you seeing design requests and activity on that front to potentially expand your product portfolio from GPU-centric architectures to something else? And Dan, just a quick clarification in terms of supply chain, otherwise tariff impact. Any updated thoughts on that front in terms of limited component availability or pricing headwinds? Thanks.

Mike Knowles | President and CEO, One Stop Systems:

Yeah, Scott, quickly on the data center market. We continue to watch those elements of technology around AI accelerators and other. And yes, we adjust and work adjusting our product line and strategy as we go through as that market adopts. We have a number of core customers that we keep aligned with and where their product roadmap needs go. And so our chief product officer and their team stay aligned with that. So I think you'll see us continue to make announcements about new products and product alignment as we continue through the quarters and well into next year.

Dan | Chief Financial Officer, One Stop Systems:

Yeah. And on the supply chain front, you know, I just add. So certainly with the higher production that we have in the second half of the year, we're ordering larger volumes from our suppliers. And so that is impacting lead times. We are seeing longer lead times for some of those components. We're working really closely with our supply chain, driving our suppliers, make sure we're able to mitigate those lead time risks. And we think that all those risks are kind of captured in our guidance. But it's a key focus. Supply chain execution will be a key driver for our second half performance.

Unidentified Participant | Analyst:

Great. Thanks so much. Thanks,

Operator | Conference Operator:

guys. And we can take our next question from Eric Martinuzzi with Lake Street. Your line is open.

Eric Martinuzzi | Analyst, Lake Street Capital Markets:

Yeah, I just wanted to clarify your comment on the Brezhner. You talked about kind of anticipating normal growth rates. I've just got I'm struggling with what's normal because, you know, we had we were up 10 percent in 2023 down 6 percent in 2024. And, you know, based on 2025, I'm looking at maybe up 2 percent. But I thought I've heard you describe it to kind of grow at the rate of the overall IT rate, which I would put in the kind of 5 to 9 percent range. So just help me out there. What is normalized growth for Brezhner?

Dan | Chief Financial Officer, One Stop Systems:

Yeah, so for for our for our guidance, you know, we've guided consolidated revenue, 59, 61 million, 30 million for OSF segment. So that implies, you know, Brezhner segment at about 30 to 31 million for the year. You know, as I as I said before, we track a range of risks and opportunities to that right now. That's probably biased towards opportunity, but particularly because of the supply chain lead times that we've seen on the OSF segment. And the significant production ramp that we have, we've kind of taken the conservative position and held our guidance. But we are we are continuing to drive for opportunity.

Eric Martinuzzi | Analyst, Lake Street Capital Markets:

But I'm asking more of a 2026 question, I guess. Yeah, or what is what?

Dan | Chief Financial Officer, One Stop Systems:

Yeah, so so in general, you know, our our longer term outlook, as we look into 26, 27, you know, we see the OSF segment growing at about 20 percent a year. Twenty twenty five percent and the Brezhner segment we model in the range of seven to nine percent.

Eric Martinuzzi | Analyst, Lake Street Capital Markets:

OK, that's that's what I was looking for. Thanks, Mike. You know, you've had a chance or I guess maybe your customers have had a chance to digest the one big, beautiful bill act on their business. And I'm just curious to know since the passage on the Fourth of July and today, what are you hearing about the potential impact to your pipeline in 2026, 2027?

Unidentified Participant | Analyst:

Yeah, Eric, you know,

Mike Knowles | President and CEO, One Stop Systems:

not seeing a significant change to kind of the pipeline in the way we figured out in the forecast. We're looking at 26 and 27. The markets inside of defense are fairly well aligned, especially the markets where we pursue that have to do with sensor processing, fusion, AI and autonomy. So those markets have held strong continued investment. We specifically more aligned to watching the timing of when the bills will be released into 2025 or into 2026. As you know, we run a full year continuing resolution this year that caused some delays in new new program launches that we've had to work through. And it's just caused some delays in existing funding. It seems like 2026, the current process is on track for a bill to be on schedule for the year for 2026. Although I'm starting to hear early rumblings of maybe a few short months CR to start off 2026. So I would say we're more concerned about the timing of CRs and new program releases than we are the effects on the scale or opportunity of the markets and where they're going. And if anything, we're probably more opportunistic on the overall pipeline and outlook because we have seen it existed prior before this administration. The desire and need to move into some more commercial applications under the new administration. That desire is increased and their hope is really to accelerate some of that timing. So we have seen some early precursor requests for information requests for architecture thoughts permeating out. So we'll hopefully that'll transition into awards. As I mentioned, it's really the timing I would say that we we keep an eye on more so than the than our concerns about any growth or change to the pipeline or scope in the future.

Eric Martinuzzi | Analyst, Lake Street Capital Markets:

Yeah, you talked about the US Army combat vehicle opportunity that you're kind of they're kicking the tires on what you guys can offer them any sense of the size as well as the timing of some kind of I'm just not familiar. I know it's a terrific opportunity. I don't know if it would be a one or two year sample set and then you get into full production even if you do win it. So just help help me size that opportunity as well as getting into the timing.

Mike Knowles | President and CEO, One Stop Systems:

Yeah, we're very early stage on this. As we noted in a number of other investor presentations, you know, we had identified opportunities in our pipeline that had had opportunity to be larger in nature than our normal work. But there was, you know, time to go and we had aligned the probability of those accordingly. So we're early stages of opportunity here with with the Army. We're in the research labs who are sharing the technology and their testing evaluation with the acquisition offices who are evaluating those against their requirements, needs and funding. So, as I noted in our comments, I would anticipate from what we're seeing their schedule, they'll continue testing through the remainder of this year. That will start to inform their requirements definition and budget building for twenty, twenty six and beyond the speed or size or volume of which those will will go will be dependent on the need and the demand and how they want to utilize existing funds or new funds. So, it's a little bit early for me to say how that would how how long or what the scope and value that would be. I think we'll know more in the quarters to come as we see the culmination of the testing and and the requirements generation on the acquisition side.

Eric Martinuzzi | Analyst, Lake Street Capital Markets:

Okay. And the last question for me is on the gross margin side. I was encouraged to see that segment that you're comfortable with the forty percent plus on the gross margins there. Can we extrapolate that out? You know, given the twenty, twenty six, we're looking for a faster growth rate in the segment versus Bresner that there's the the the gross margins for the business would increase in twenty, twenty six as well.

Dan | Chief Financial Officer, One Stop Systems:

Yeah, I think from a gross margin perspective, so we look at gross margin is really being driven by two things. One is absorption as we as we get better volume, we get better absorption and the other is product mix and program life cycle. So, from a product mix perspective, straightforward, we have some products that are higher margin, some products that are lower margins. We see some variability from quarter to quarter from program life cycle perspective. We typically see early in the program, you have customer funded development that tends to be lower margin. You move maybe to some prototype bills. Those also tend to be lower margin. You don't have as much opportunity for learning curve and supply chain efficiencies. And then you get into low rate, full rate production tech refreshes the statement. And that's really where you see the expanding margin. So, you know, as we model twenty six, we kind of weigh all of those factors. I think that for the OSS segment overall, we continue to guide mid thirties to low to mid forties. I think that will sustain through through twenty, twenty six. But there could be some variability from quarter to quarter on where in that range of mid thirties to low to mid forties we land.

Unidentified Participant | Analyst:

Got it. Thanks for taking my questions. Thanks, Eric.

Operator | Conference Operator:

And we can go next to Brian Kinslinger with Alliance Global Partners. Your line is open.

Brian Kinslinger | Analyst, Alliance Global Partners:

Great. Thank you. Sorry, I joined late if it's already been discussed. Several companies have been sharing that government short term awards have been hurt by an uncertain government funding year, which I know, you know, discussed that. What was the mix of government commercial bookings in the first half? It's been so strong. And then in terms of your bidding proposal activity, how is it being impacting on the government side?

Mike Knowles | President and CEO, One Stop Systems:

Yeah, thanks, Brian. On the booking side, the percentage has been a little more weighted to defense over commercial as we've gone through the first half of the year. And part of that was driven by we saw a pick up in defense orders in the second half of the second quarter of this year. So it looks we started to see the government start to pull out and in as they got getting closer to the end of their fiscal year to start aligning and moving budgets and making awards. So we were we were encouraged by that that movement through the year. And as we look forward to our way our companies build as we're lining bidding proposals, we look into 2026 and beyond. You know, the opportunity set that's in there, I think we're well aligned with the with the teams and the bid and proposal budgets we have set to capture the opportunities we're in. So I think we're still we're still well aligned. As I mentioned earlier, for us, we continue to monitor the timing on how the government will be able to move its budgets down to awardable releases.

Brian Kinslinger | Analyst, Alliance Global Partners:

How do you think about the bidding proposal is the goal to be bidding three times your kind of revenue rate? Is it you know, you have a number in the pipeline that you think is addressable, you know, through 2026. Maybe you can share on that would be helpful maybe compared to where you've been, you know, in in 2024 and 2025.

Mike Knowles | President and CEO, One Stop Systems:

Yeah, Brian, I'll look late to this laid out this way, how we work the process. So, you know, you've heard me talk to you. We have a five year factored and unfactored pipeline. So in in any given year, we have a factored and unfactored forecast or pipeline that we're going after the year. The unfactored and the factored pipeline numbers both the factored pipeline number really represents where we've been able to achieve that 20% or greater growth. And so we have significantly more factored opportunities in a quarter to drive the revenue that we get in any quarter and that same same holds for the year. So as we as we process that out, we have that significantly greater opportunity to fit down the ratio of been proposal of how much we're bidding versus how much we pull in changes quarter to quarter and and by the year just based on the size and the probability of program happening and our probability of when. But I'll say we've been able to convert. Well, the majority of the stuff that we win is generally sole source customers see what we have to offer and there's not a comparative competitor offering the same thing. We're usually competing against an incumbent or an existing architecture. So we tend to win our stuff sole source where we are competing head to head. We've been winning a little bit more than 70 to 75% of the programs that we did. So we've been getting a fairly good transition rate out of our pipeline and into revenue. So, you know, our biggest thing I go back to the thing we tend to worry about more is what's the probability of the timing that something's funded ready to go and it's going to be released in the time that our customers identify versus when they actually happen.

Brian Kinslinger | Analyst, Alliance Global Partners:

Just make sure I understand right heard because I thought it was a big takeaway there. Are you saying that a factor factor and proposals you're winning 70 to 75% of those.

Mike Knowles | President and CEO, One Stop Systems:

In the competitions that we bid that our competitions, we're winning 75% or more of those. Wow,

Brian Kinslinger | Analyst, Alliance Global Partners:

that's really telling the last question I have is. Are just to be clear is proposal activity and the pipeline near term. Kind of steady is it rapidly increasing is it steadily increase maybe give some discussion on the trends you're seeing in your term pipeline.

Mike Knowles | President and CEO, One Stop Systems:

Yeah, we've seen as the as the company has grown from 24 quarter quarter into into 2025 with the book to bill ratios you're seeing we've seen a steady increase in the activity in our in our business proposal. So that starts out with early requests for information early engagements with customers into architecture ideas and concepts. We've seen the request for information or request for white papers. We've seen a significant steady increase in that from 24 into 2025. It looks like it's going to continue well into the second half of 2025. The result of that also then is that we're putting out more proposals that come from the first engagement through request for information. And we're also seeing as our as our pipeline continues to expand out through the years each year that our opportunities for bids are also increasing. So, yes, we're seeing a steady increase in the amount of proposals and request for information for the quarter.

Brian Kinslinger | Analyst, Alliance Global Partners:

Congratulations on the progress over the last couple of years of

Unidentified Participant | Analyst:

turning the business around. Thanks, Brian.

Operator | Conference Operator:

And this does conclude our question and answer session. I'd like to turn the program back over to our presenters for any closing remarks.

Mike Knowles | President and CEO, One Stop Systems:

No closing remarks, Aaron. You can close the call.

Operator | Conference Operator:

Thank you for your participation. This does conclude today's program. You may disconnect at

Mike Knowles | President and CEO, One Stop Systems:

any

Operator | Conference Operator:

time.