

NASDAQ:TSSI Q2 2025 Earnings Call Transcript

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Operator:

Welcome to the TSS, Inc. Second Quarter 2025 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A question and answer session will follow the formal presentation. I will now turn the conference over to your host, James Carbonara. You may begin.

James Carbonara | Host:

Thank you, Operator, and good afternoon, everyone. Thank you for joining us for TSS's conference call to discuss the company's second quarter 2025 results. Joining me today on this call are Daryl Duan, President and CEO of TSS, and Danny Chisholm, the company's CFO. As we begin the call, I would like to remind everyone to take note of the cautionary language regarding forward-looking statements contained in the press release we issued today. That same language applies to comments and statements made on today's conference call. This call will contain time-sensitive information as well as forward-looking statements, which are accurate only as of today, August 6, 2025. TSS expressly disclaims any obligation to update, amend, supplement, or otherwise review any information or forward-looking statements made on this conference call or the replay to reflect events or circumstances that may change or arise after the date indicated, except as otherwise required by applicable law. For a list of the risks and uncertainties that may affect the company's future performance, please refer to the company's periodic filings with the SEC. In addition, we will be referring to non-GAAP financial measures. A reconciliation of the differences between these measures and the most directly comparable financial measures calculated in accordance with the U.S. GAAP is included in today's press release. With that, Daryl, I will turn the call over to you.

Daryl Duan | President and CEO:

Thank you, James, and good afternoon, everyone. Thank you for joining us today for our second quarter 2025 earnings conference call. The demand for complex, high-performance computing systems, particularly those enabling AI applications, continues to accelerate at a remarkable pace, and we are squarely positioned to address that demand. This past quarter marked a major transformative milestone in our company's journey and positions us for what we expect will be a record year. I'm pleased to report that we are Successfully operating in our new facility, state-of-the-art, 213,000 square foot facility in Georgetown, Texas, and is now fully operational. It's also at less than 100 degrees today. The build-out is testament to detailed planning, teamwork, and the team's ability to execute. It is more than just additional square footage. This facility is a strategic asset purpose-built to support rapid scaling of integration services of the most advanced and complicated computing solutions. The facility became operational across all capabilities late in the second quarter. With systems now validated and capable of running at full capacity, we're beginning to capture tangible benefits. We continue to produce faster delivery cycles, generate greater operational efficiency, and increased ability to support larger, more complex customer deployments. The completion and activation of this facility marks the turning point, and we are incredibly bullish about what lies ahead. In terms of our financial results, we delivered on our commitment of revenues in the first half of this year, exceeding the revenues in the second half of 2024. And comparing the first half of this year to the first half of last year, We tripled our diluted earnings per share and more than tripled our adjusted EBITDA. We are on track for what we believe will be a record year for our company. Our momentum is accelerating, the market is thriving, and rich with opportunities, and we're excited about the execution and our focus and precision. So let me walk through a few of the highlights for the second quarter. We achieved record year-over-year revenue growth of

262%, highlighting the accelerating demand for our solutions, the depth of our customer relationships, and the strengths of the market environment we are operating in. Adjusted EBITDA increased more than 100% to \$4 million in Q2 of 2025. We also generated positive cash flow from operations for the first six months of the year, further strengthening our financial foundation, reinforcing durability of our business model. The exceptional performance was driven by growth in our two largest service offerings, procurement and systems integration. So let me break this down by segment. Starting with procurement services, where we source and resell third-party hardware, software, and services, revenue grew more than 572% year over year to \$33 million in the quarter, driven by increased infrastructure investments to support AI workloads. The growth continues to underscore both our value as a strategic sourcing partner and the strong execution of our operational team. While the business may experience quarter variability, the overall trajectory remains positive, and we remain very optimistic about the contribution from this segment. Systems integration, which includes AI rack integration, delivered another strong quarter with revenue growth increasing 91%, fueled by growing demand for AI-enabled infrastructure. This growth reflects the accelerating momentum behind AI deployments as enterprises begin to modernize and expand their compute environments, while hyperscalers remain in rapid expansion investment mode. We believe we are still in the early stages of the AI infrastructure build-out cycle, and we expect continued robust growth as customers scale investments to meet evolving compute requirements in the quarters and years ahead. I'll speak more to this in a minute. In our facilities management business, which primarily includes our modular data center business, revenues declined 35%. While this segment represents a smaller portion of our overall business, approximately 3% of the total revenue in the quarter, it has historically delivered stable high margin contributions. The modular market is evolving. Modular data centers are no longer used solely to augment traditional data centers, but are increasingly viewed as prefabricated solutions for delivering dense computing capacity more efficiently. Additionally, edge computing and emerging AI-driven segment is well-suited to modular deployment. As adoption of AI technologies accelerates, we expect modular data centers to play a growing role in our strategy through 2025 and beyond. So it's clear to me that we're still in the early days of AI and demand for high performance computing. That demand is growing, our capabilities and partnerships are expanding, and our pipeline continues to strengthen. Importantly, we're successfully executing our business strategy and delivering substantial growth while scaling our operations and positioning the company to capture a meaningful share of the rapidly growing and complex AI infrastructure market. So let me turn the call over to Danny for more detailed conversation and discussion of our financial results. Danny?

Danny Chisholm | Chief Financial Officer:

Thanks, Daryl. Consolidated total revenue increased by 262% in the second quarter of 2025 to \$44 million, up from \$12.2 million in the second quarter of 24. As Daryl mentioned, the increase was driven by significant year-over-year growth in our two largest service lines, procurement and systems integration. Revenue from procurement services totaled \$33 million, up 572% compared to \$4.9 million in the year-ago quarter, driven primarily by purchases from the federal government combined with a mixed shift with a greater proportion of revenues coming from gross deals as opposed to net deals. As a reminder, revenue in this segment represents a mix of gross and net deals whose revenue recognition method varies based on the contractual terms of whether we modify the product in some way or just act as an agent in the transaction. The gross value of all procurement transactions, regardless of how accounted for, increased 213% from the prior year quarter to \$65.7 million this quarter. Based on recorded GAAP values, procurement gross margins were 7.7% in the current quarter compared to 14.7% in the prior year quarter. When viewed using the non-GAAP gross value of all transactions, which we see more as apples to apples comparison because it ignores the gross versus net difference, gross margins improved from 3.4% in the prior year quarter to 3.9% in the current quarter. The margin expansion worked in concert with the 213% increase in the gross value of procurement transactions, driving 251% growth, in procurement services gross profit to \$2.5 million, up from \$700,000 this quarter last year. Revenue from the facilities management totaled \$1.5 million, down 35% from \$2.3 million in the same quarter last year. Although currently the smallest segment of all our businesses, facilities management holds significant strategic potential. We're actively pursuing new opportunities while maintaining

readiness to address customers' needs for modular data centers, or MDCs, when that demand picks back up. We're also seeing some discrete projects planned for the second half of this fiscal year on MDCs that were deployed in past years. In addition to year one revenues, new deployments typically generate multi-year maintenance contracts, further enhancing our earnings profile. Revenue from the systems integration segment increased to \$9.5 million, up 91% compared to \$5 million in the second quarter of 2024, driven primarily by the continued growth in the integration of AI-enabled racks, which began with significant volume in June of 2024. Our work here is pursuant to the multi-year agreement signed in October 2024 to integrate AI-enabled racks for our largest customer. We expect systems integration revenue in the next several quarters and next several years to grow substantially from current levels. Consolidated gross margin was 17.8% this quarter, down compared to 37.3% in the second quarter of 2024, and up compared to 9.3% in the first quarter of this year. The year-over-year decrease is primarily due to the mix of revenues with lower margin procurement services representing a much larger portion of the total revenue compared to the prior year quarter. Breaking down the components of the consolidated margins, systems integration gross margins improved from 43% to 44%. Facilities management gross margins remained robust at 74% in each period. And as mentioned earlier, the gross margins on procurement activities improved from 3.4% to 3.9% in the current quarter when viewed on the basis of the gross value of transactions. So the downward movement in blended consolidated margins is driven by the outsized growth in the larger, I'm sorry, in the lower margin procurement business combined with a greater portion of the procurement deals being recorded as gross deals compared to the prior year where more were net deals. SG&A expenses were 61% of gross profit in the second quarter, on par with 60% in the year-ago quarter. On a dollar basis, SG&A expenses increased to \$4.7 million in the second quarter of 2025 from \$2.7 million this quarter last year and decreased sequentially from \$4.9 million in the first quarter of this year. The year-over-year increase was primarily due to the higher headcount and related compensation costs. The current quarter's SG&A expenses include \$930,000 of non-cash equity-based compensation compared to \$155,000 in this period last year. It's worth noting that as a result of the growth of our market capitalization and revenues, we'll no longer be considered a smaller reporting company at the end of 2025. We'll instead be an accelerated filer. As a direct result to that, our external auditor must for the first time perform an integrated audit, including testing and opining on our internal controls over financial reporting. We're starting to incur new higher audit and accounting costs as we prepare for both a more robust internal audit of these controls, as well as a first-time external audit of these controls pursuant to the Sarbanes-Oxley Act Section 404. Depreciation and amortization expenses increased year-over-year to \$844,000 compared to \$117,000 in the year-ago quarter. The increase is due to two full months of depreciation recognized on our new facility, which we put into service in May 2025. I expect the quarterly run rate of depreciation to increase ratably in the third quarter as we see a full quarter's depreciation related to the new facility versus only two months' worth of depreciation on that facility in the current quarter. Consolidated operating income in the second quarter of 2025 was \$2.2 million, up 32% compared to \$1.7 million this quarter last year. While higher in dollar terms, this represents a lower operating margin from 37.5% this quarter last year to 28.6% this quarter, as the growth in depreciation outgrew the pace of growth in gross profit. As revenues continue to ramp at the new factory we anticipate operating income in the final six months of 2025 will exceed the comparable period of 2024, as well as the first half of this year. If we're successful in subleasing our Round Rock, Texas facility, our operating income will be further enhanced in future periods. We've seen some interest in the facility, but we wouldn't expect to see any sublease consummated this fiscal year. Interest expense increased to \$859,000 in the second quarter of 2025, compared to \$378,000 in the year-ago quarter. The increase was due to an increase in the gross value of procurement transactions and other revenues from our primary customer compared to the prior year quarter, as well as interest on the \$20 million construction loan related to our new Georgetown facility, where we had no outstanding debt in the prior year quarter. Partially offsetting that interest expense was \$175,000 of interest income earned from cash on hand compared to \$106,000 of interest income this quarter last year. As a net result of all the factors mentioned, net income for the second quarter of 2025 was \$1.5 million, up 6% from \$1.4 million this quarter last year. Diluted earnings per share was \$0.06 in each period. Adjusted EBITDA, which excludes interest, taxes, depreciation, amortization, and stock-based compensation, was \$4 million, up 103% from just under \$2 million this quarter last year. Now let's take a look at the year-to-date results. For the six months ended June 30, 2025, total revenues were up 410% to \$142.9 million, compared

to \$28.1 million in the year-ago period. As Darrell mentioned, the first half 2025 revenues exceeded second half 2024 revenues of \$120.1 million, a sequential increase of 19%. By segment, procurement revenues increased by 645% and systems integration revenues increased by 140%. The increases were somewhat offset by a 37% year-to-date decrease in revenues from facilities management. This decrease is primarily due to the timing of discrete projects in this segment and a smaller decrease in ongoing maintenance revenues. Based on our current pipeline, I expect a bit of an increase in discrete projects in the back half of the year compared to what we saw in the first six months. Gross profit for the first six months of 2025 increased 135%. to \$17 million, and our SG&A costs improved to 57% of gross profit, down from 70% in the year-ago period. Year-to-date, our net income was \$4.6 million compared to \$1.5 million in the first half of last year, an increase of 215%, and diluted EPS nearly tripled to 17 cents in the current period, up from 6 cents in the prior year period. Turning to the balance sheet. As of June 30, 2025, we had \$36.8 million of unrestricted cash and cash equivalents, plus another \$5 million of restricted cash securing our bank loan, up from \$23.2 million at year-end 2024. The increase was driven primarily by cash generated from operations and \$11.3 million of current quarter proceeds from bank financing used to support the construction at our new Georgetown facility. These inflows were partially offset by the capital expenditures tied to the facility's build-out. To support anticipated increases in production, as well as to support more and more powerful racks, as Darrell discussed, we completed the move of our new headquarters and production facility to a new location during the second quarter of 2025. Through the end of the second quarter, we invested approximately \$31.6 million in improvements to that leased facility, primarily to significantly increase the available electrical power and related cooling capabilities for both air-cooled and direct liquid-cooled racks. That amount is the amount invested both last year and this year to date. This is a bit higher than the \$20 to \$25 million we previously indicated that we plan to invest. The increased investment was primarily in response to changes in anticipated technology roadmap from our OEM customers which require even more power and cooling capacity than what was initially planned. We expect these incremental investments in CapEx will lead to incremental future revenues. To date, funding for the investments has consisted of \$20 million of bank debt, with the remainder coming from our cash on hand. The loan converted to a fully amortizing loan on July 5th this year, with monthly principal and interest payments through January 2030. Net working capital will decrease from \$1.3 million at the end of 2024 to a negative \$16.3 million at the end of second quarter 2025, primarily reflecting the investment in those capital expenditures. The use of the working capital, including the growth in accounts payable at the end of the period, is primarily related to procurement transactions and the funding of those construction costs. Due to the conversion of our debt to a term loan about a month ago, \$5 million of cash that is a deposit securing our loan was reclassified from a current asset cash to a non-current asset restricted cash. In Q3, we anticipate receiving \$6.8 million of tenant improvement funds from our landlord, reimbursing us for CapEx we've invested to date. We've also requested to exercise the accordion feature on our bank loan, allowing us to borrow an additional \$5 million on that loan in recognition of the additional capex that we have to date funded with cash on hand. These sources of funds will further improve the strong cash position showing on our balance sheet. For the first six months of 2025, we generated cash flow from operations of \$37 million, which compares favorably to \$1.7 million of cash used in operations in the first six months of last year. The improvement was driven by much stronger earnings combined with the timing of cash flows in our procurement activities discussed above. Overall, it was another great quarter, and we look forward to a strong back half of the year. With that, I'll turn the call back over to Darrell for some closing comments.

Daryl Duan | President and CEO:

Thanks, Danny. I appreciate it. I commented earlier that our Georgetown facility is a strategic asset, and I'd like to expand on that before turning the call over to questions. I've described in previous calls how the amount of compute power in each rack is growing as a result of advancements in chip technologies such as GPUs from leading providers. Our close relationship with the leading IT OEM provides us an operational view of the roadmap ahead for chips and resulting rack densities. As a couple of years ago, a rack might have required 30 kilowatts of power. We are now preparing integrated racks with 300 kilowatts of power. on our

way to a megawatt of power, possibly within the next year. The layout and capabilities of our facility that integrates 300 kilowatt racks is very different to a facility that integrates 30 kilowatt. We have invested in a new facility beyond our initial expectation because racks of greater density are approaching faster than we expected. More availability of electrical power is certainly the case, and we're targeting in a year more than double the current availability of electricity. We've also invested in cooling infrastructure, including direct liquid processing, required to address racks of dramatically higher power. The point to all of this is we are seeing great growth opportunity as the new facility comes online. Looking out over the next 12 to 24 months, our facility will become more and more critical for IT OEMs to deliver the product roadmap. Interestingly, We also expect to see more investment in the enterprise marketplace as the AI rollout continues and small, very dense compute resources are located closer to the end user. In summary, we expect continued strong performance for the remainder of this year. Given the strength of our first half and our increasingly visibility into the second half of the year, we are raising our full year 2025 adjusted EBITDA outlook as we've said previously, from at least 50% growth to at least 75% growth compared to 2024. We remain focused on driving long-term profitable growth and delivering lasting shareholder value. So with that, let's open up the line for Q&A.

Operator:

Thank you. At this time, we will 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 if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions. Once again, please press star 1 if you have a question or comment. Once again, please press star one if you have a question or a comment. The first question comes from Bradley Stevenson with Breakout Investors. Please proceed.

Bradley Stevenson | Analyst, Breakout Investors:

Hi, guys. How are you doing? Pretty good. How are you, Bradley? Good, good. It's good to talk to you again. I've got a few questions, and we'll see how you feel about answering those. One of the things that we've never talked about, or at least I've never heard you talk about it, is where does TSSI stand in the priority order for Dell for rack integration projects? We know they have in-house rack integration

Daryl Duan | President and CEO:

sites as well and then we also know they use you and i believe maybe another vendor or two as well possibly but can you comment on that at all bradley i think um the way i would answer that is we um our desire is to make it really easy to pick tss to do the total solution um we've positioned ourselves for the more complex future and to be the cheaper, better, faster alternative than anything else in the marketplace. So in terms of a priority, in our world, we are never satisfied. We want to be the top priority. We're working hard to be the top priority. And in the scheme of things, I probably can't go into any more detail than that, the top percentages or whatever, but rest assured, we want our unfair results share of the business and we're making it as easy to do that as possible.

Bradley Stevenson | Analyst, Breakout Investors:

Okay. Thanks. You talked a little bit about growing organically in your press release and also exploring strategic alternatives. I think that comment was about expanding beyond Dell. Am I reading that correctly? And if so, can you talk a little more about that or provide any more detail on that thought?

Daryl Duan | President and CEO:

Yeah, so organic growth is doing more with what we've got with our existing relationship. I think that's pretty obvious. We're doing everything we can to grow organically, and so far so good. Every day is a new day, and we strive to be better every day. So we want to continue to grow organically on the Outside of that, you know, there's a number of different ways that we can expand. We talked about some of that in the past by doing some on-site rack integration, for example, in a customer facility. But, you know, there's a, if you will, a respect involved where people that we have working with our existing customer are not going to put somewhere else. I mean, we're just on a competitive environment. We're just not going to do that. But that doesn't mean we can't have other teams dedicated to other technologies, and we're exploring doing that. So that's one way to grow in a customer facility. Another way is to grow through providing our kind of solution to the channel, you know, the channel market out there that actually resells current customer technology and other technology wants someone or a firm to do the integration work that we have invested a lot of money in, you know, \$25, \$35 million as we talked, In our world, there's a lot of money. So we want to make sure that we invest and use that. Why would a channel partner be faced to have to make that kind of investment to satisfy their customer? They can route the technology through us. We'll do the integration. We have the facility in Round Rock, which we could use for that if that ever comes up. So that's an opportunity. And then third, there's a whole other level of technology that's out in the marketplace that I think our existing relationship would be okay with if we were to partner in and with. And I can't go into a whole lot more detail here, but let's put it this way. I think we're interested in anything that works, that helps us grow, that doesn't damage our existing relationship, and that is done fairly and profitably. Okay.

Bradley Stevenson | Analyst, Breakout Investors:

Thank you. Procurement. It's a big number. It's a lot smaller than last quarter, a whole lot bigger than a year ago quarter. Is there any way to correlate that with anything else in your operation? I guess what I'm trying to say, I find myself, like I was surprised with the \$90 million last quarter. I didn't expect to see a number that big. This quarter, \$33 million. I won't say I was surprised. I just didn't really know. I find myself not having really any idea of knowing what to expect. Is there any guidance you can give on that?

Daryl Duan | President and CEO:

Well, if you, yes, there is. We inspect our pipeline frequently. And if you were surprised by the 90 million, so were we in the respect that it was such a big number and a big quarter for us. If you recall, we did 60 million in Q3 last year, and that was an eye-opener. And we traditionally haven't had that kind of a large procurement quarter in the beginning of a year. And we've felt and we still feel there's a little bit of a propensity to dial closer to the federal buying cycle, which usually is the third quarter of the calendar year. I can tell you that we're optimistic about the full year. I think you'll hopefully be pleasantly surprised again someday. And we're working hard to make that happen. So the corollary to anything other than the federal buying cycle and the fact that we've put more muscle behind working transactions than we ever did before, I think it's paying off. So in other words, internal resources allocated to go after opportunities that drive revenue for procurement. That also leads into business that we're driving in our configuration services business. And we've realigned our team internally to place, if you will, more attention and talent into the config services business, which really is connected to the procurement business, And, you know, eventually and hopefully very soon we'll see the benefits of that.

Danny Chisholm | Chief Financial Officer:

Yeah, to be clear on that, Bradley, while the configuration services gets a lot of that volume fed from the procurement activity, those numbers for configuration services are classified in the systems integration segment.

Daryl Duan | President and CEO:

Okay. Bradley, I mean, I can tell you that I've been here almost now three years, and what Danny just said is something we always kind of go, now, how does that work? You know, it is what it is. But at the same time, Danny is completely right. They feed each other and they work closely together. And we can also grow config services without procurement, which is what we're trying to do. And in order for that to happen, we had to change some people. And we're continuing to invest in a software platform and software technology to automate the process that makes it a lot easier to deliver the end result. And we're doing that from operational money. It's not a lot of money, but it just takes time.

Bradley Stevenson | Analyst, Breakout Investors:

Gotcha. And I wasn't trying to say I was disappointed in 33 million. I just didn't, I just didn't know what to expect. That's all I was really saying.

Daryl Duan | President and CEO:

I was just trying to figure out where you're coming from. Cause next time you ask a question, I might not take the answer question.

Bradley Stevenson | Analyst, Breakout Investors:

So I have, I'm going to call what you said about EBITDA guidance. Um, you can correct me if you don't want it referred to as guidance, but, um, If I've done my math right, if to do 75% more than last year, that would mean breaking even with the quarter we just finished over the next two quarters on average. While that's a good number, do you see upside potential beyond that scenario?

Danny Chisholm | Chief Financial Officer:

Yeah, we absolutely view that as the floor, right? If you think about, you may not have picked up on the exact words Daryl's used in communicating that, but it was, we see at least 75% uptick.

Daryl Duan | President and CEO:

So last year we did 10 million.

Bradley Stevenson | Analyst, Breakout Investors:

Okay. So if you do four, and I guess what I'm trying to say, maybe I misunderstood what you meant, but If you hit, say, \$4 million in the third quarter, \$4 million in the fourth quarter, that gets you about a 75% uptick, I think.

Daryl Duan | President and CEO:

Yeah, I think your math is somewhat close. The first half of this year, Danny, correct me if I'm wrong, I think first half we did about \$8.2 million EBITDA. Last year we did 10. We're saying at least 75%.

Danny Chisholm | Chief Financial Officer:

First half of this year was 9.2. 9.2?

Daryl Duan | President and CEO:

Yep. What's a million dollars amongst friends? 9.2, 8.2, 9.2. So I think the – so there's your – hopefully that answers your question. If we're looking at the full year, we're increasing the guidance to at least 75%. Got it.

Bradley Stevenson | Analyst, Breakout Investors:

All right. Well, I appreciate it, guys, and good quarter, and thank you for answering my questions.

spk07:

Thank you, Bradley. All right, buddy.

Operator:

Once again, if you have a question or a comment, please indicate so by pressing star 1 on your touchtone phone. Once again, that's star 1 if you have a question or a comment. Please continue to hold while we poll for questions.

spk07:

The next question comes from Chris Tuttle with Blue Caterpillar.

Operator:

Please proceed.

Chris Tuttle | Analyst, Blue Caterpillar:

Hey, fellas. Thanks for taking my questions. I was hoping there would be more coverage on this call. In the old days, analysts would introduce companies with this kind of growth and fundamentals. But anyway, a couple quick ones just from me. In terms of Georgetown, where are we? Did you say you weren't completely 100% operational there or at capacity? I just want to clarify what you said about that. And if it's not 100%, sort of what's your timeframe on getting there?

Daryl Duan | President and CEO:

We are now 100%. Chris, good to talk to you, by the way. We're now at 100%. We started the transition around the early part of May. and we segwayed into 100%, so we're full capacity, full production capability right now.

spk07:

Okay.

Danny Chisholm | Chief Financial Officer:

Capability. Chris, I'm sorry. Sorry, Chris, you're pixelating a little bit.

spk07:

Sorry. Operator, we can't pick them up. I'll have to call you back. Okay, Chris, we'll take your question once you come back into queue. The next question comes from Maj Fauden with GEO Investing.

Operator:

Please proceed.

Maj Fauden | Analyst, GEO Investing:

Hey, guys. I just took another call. One quick question, and I might have missed it because I missed a pair of remarks, so if I did, excuse me for asking again. I've been already answered. But did you address anything going on around the Rock facility, like any kind of movement there in terms of opportunities, or are you just 100% concentrated in the Georgetown facility now and just wanted to know if you addressed that at all?

Danny Chisholm | Chief Financial Officer:

The opportunity as in sublease or as in doing additional business there?

Maj Fauden | Analyst, GEO Investing:

Yeah, I guess both. I mean, I'm assuming, too, that's kind of that facility allows you to maybe do stuff that's not also potentially an assumption also.

Daryl Duan | President and CEO:

You're right, Hamish. It is available. We've had some interested parties to sublease to. It's also something on our list to go expand our configuration services business. It's got adequate power for that and some DLC capability, direct liquid cooling, which is obviously what we used to do there. But it's 110,000 square feet, and we're working angles to try and figure out how to best use it. It does open up opportunity for us to grow beyond our existing relationship in a way that doesn't upset our existing relationship. But nothing yet that we can talk about here, but we're working it.

Maj Fauden | Analyst, GEO Investing:

Great. That's the only question I really had. Thanks.

Daryl Duan | President and CEO:

Okay.

spk07:

Great. Thanks, Bosh. Yeah.

Operator:

This concludes the Q&A portion of our call, and I'd like to turn the floor back over to Darrell Dewan for closing remarks.

Daryl Duan | President and CEO:

Thank you, sir. Folks on the call, we're really grateful and glad to be in our new facility. It's been an effort, an extreme amount of work by a great team to get here, so the execution to get here is quite amazing. We're doing everything we can to position a company to scale and be ready to address these advanced technologies by the investments we're making and by the people that we've got here. I can tell you that we're focused daily and quarterly and on an annual basis to continue to execute and to produce shareholder value. In a big picture, this is exciting space. The AI world is just amazing. We appreciate you, our investors, for your commitment and your support. We're doing everything we can to give you a good return on your investment. And my phone and my door is always open as the management team here, so appreciate any of your feedback or questions. As we've said before and I've said before in a previous call, wish us luck. So thank you. Have a good day.

Operator:

Thank you. This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.