Beam Global

Second Quarter 2026 Operating Results Conference Call

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CORPORATE PARTICIPANTS

Desmond Wheatley--*Chairman, President and Chief Executive Officer*

Lisa Potok--*Chief Financial Officer*

PRESENTATION

Operator
Good day, and welcome to the Beam Global Second Quarter 2026 Operating Results Conference Call. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the conference over to Lisa Potok, Chief Financial Officer. Please go ahead.

Lisa Potok
Good afternoon, and thank you for participating in Beam Global's second quarter 2026 operating results conference call. We appreciate you joining us today. Desmond Wheatley, President, CEO and Chairman of Beam Global is joining me. We are both in San Diego today. Desmond will be giving his thoughts on 2026 and providing an update on recent activities at Beam Global followed by a question-and-answer session.

But first, I'd like to remind you that during this call, management will be making forward-looking statements, including statements that address Beam's expectations for future performance or operational results. Forward-looking statements involve risks and other factors that may cause actual results to differ materially from those statements. For more information about these risks, please refer to the risk factors described in Beam's most recently filed Form 10-K and other periodic reports filed with the SEC. The content of this call contains time-sensitive information that is accurate only as of today, August 19, 2026. Except as required by law, Beam disclaims any obligation to publicly update or revise any information to reflect events or circumstances that occur after this call.

Let me start with a few key highlights. Our revenue in second quarter was 8.6 million. It's up 21% year-over-year and 174% over the first quarter, a clear signal that the business is reaccelerating after a slow start to the year. We converted a substantial portion of our backlog into shipments during the quarter, and backlog ended June at 5.4 million. We continue to operate with no debt, no going concern qualification and an unused $100 million line of credit.

Operationally, the quarter was active. We booked more than $0.5 million in drone and autonomous robotics battery orders in a single week. We extended our federal GSA and Sourcewell momentum with repeat EV ARC orders from Dallas, Stanislaus County and the City of Long Beach; and we completed our relocation of our manufacturing operations to Yuma, Arizona, a move that we expect to generate approximately 2.7 million in rent savings alone over the 5-year lease term when compared to what we have historically spent manufacturing in San Diego. Desmond will take you through the business in more detail in a moment.

Turning to the financials. Our second quarter revenue was 8.6 million, an increase of 21% compared to the 7.1 million in the second quarter of 2025 and an increase of 174% over the 3.1 million we reported in the first quarter. On gross profit, we reported 1.5 million or a gross margin of 17.8% compared to 1.4 million or 20.3% in the second quarter of '25. Both periods included $700,000 of non-cash depreciation and intangible amortization and cost of revenues. Excluding these items, our adjusted non-GAAP gross margin was 26.2% compared to 29.6% in the prior year period. We expect our margins to improve as our volumes continue to recover, reducing the impact of our fixed overhead on each unit sale and as our cost-reduction initiatives take further effect.

Our operating expenses were 4.5 million compared to 5.9 million a year ago, which included a 1.4 million stock grant. Excluding that item, our operating expenses were essentially flat year-over-year. Our first half results absorbed a 1 point [sp] million non-cash provision for credit losses related to a single customer balance reserved in accordance with our policy, largely offset by reductions in our compensation, our facilities and our other G&A expenses. We maintain a positive relationship with that customer and continue to work toward collecting the balance.

Our net loss was 3.1 million or $0.14 per share compared to 4.3 million or $0.28 per share a year earlier. The quarter's net loss included a 1.1 million of non-cash charges. Excluding these items, our non-GAAP net loss was 2 million compared to 1.8 million in the prior year quarter. For the 6 months, net loss was 9.9 million or $0.47 per share compared to 19.8 million or $1.30 per share, which included last year's 10.8 million goodwill impairment.

We believe the improvement in both our GAAP and non-GAAP results, together with our 21% revenue growth over the prior year quarter, reflects our initiatives to expand our opportunities, our disciplined cost structure and the largely fixed nature of our non-cash charges and is indicative of our meaningful operating leverage as our revenue recovers. We remain debt-free with an unused $100 million line of credit, and we believe we are well positioned to fund operations and support our growth initiatives.

In closing, the second quarter marked a clear reacceleration in our business. Our revenue grew sharply. Our net loss narrowed. Our diversification continued to gain traction, and our cost structure remained disciplined. We believe the actions we are taking are positioning Beam Global for more stable and scalable growth as market conditions continue to evolve in our favor.

I will now turn the call over to Desmond to provide a business update.

Desmond Wheatley
Thank you, Lisa, and thank you to all of you for joining us today for this earnings call. At risk of being a little bit repetitive, I'm just going to go back over a couple of those numbers for you. So in the second quarter of 2026, we did return to growth at the top line, 174% increase in revenue over the prior quarter. Growth at the gross margin level with about a 30% improvement in gross margin over the prior quarter, that's 30 percentage points better gross margin than in the prior quarter; and a simultaneous significant reduction in operating costs, about $0.5 million less in spending in the first half of this year than in the same period in 2025.

Now we're happy about this level of growth but particularly because it's come from the very deliberate strategic diversifications that we've been focusing on for the last several quarters. Europe is now contributing more or less the same amount of revenue as the United States is. When we first created Beam Europe, I commented at the time that I thought that the contribution from that, the largest market in the world for our products, would, at some point, outstrip revenue contributions from the United States, not at the expense of growth in the United States accretively.

Well, Europe is now producing as much revenue as the United States is. I suppose time will tell who will win the race. But, of course, we will continue pushing for growth in both markets and also in the Middle East, where we believe we will see significant activity as soon as things settle down in the Gulf. At any rate, Europe continues to generate significant revenues for us but even more importantly, very large opportunities. And no matter which market comes out on top, Beam Global wins the race. I'll come back to the European opportunities in a few minutes.

Our battery business is also making significant contributions with some of the most exciting technology and solutions that we've ever had. We generated revenues from our diverse set of new products during the quarter and also continue to bring in recurring revenue through innovative business models that we've uniquely developed.

We continue to grow our intellectual property portfolio with two new patents being issued to us during the period, one in Europe for battery solutions and one in the United States for our innovative, robust and reliable energy generation technology. These new patents expand the moat around Beam Global and cement our competitive advantage in the most active markets and technologies of the day. The batteries that we are producing for drones, robotics, AI data centers and weapon systems are state of the art. And we continue to make extensive breakthroughs in that area of the business while protecting the intellectual property that we're developing with these patents.

While I'm on intellectual property, we just recently announced that a break-through battery technology, which we've developed for AI data centers was accepted for a presentation at IECON 2026 in Qatar from amongst 1,800 submissions. This new technology will allow us to provide large amounts of power very rapidly for certain vital data center applications. Interestingly, this is technology that we developed for defense systems that have similar requirements in terms of rapid discharge capabilities. Batteries generally don't like doing that kind of stuff. It's a real testament to the progress of our battery scientists and engineers that they'd come up with a safe, efficient and effective way of doing this.

Clearly, the intellectual property that we've developed is important enough to those people who understand these things that they, as I said, selected us among 1,800 submissions for presentation at this very esteemed event. And we'll go on to actually demonstrate that technology or present that technology at The Battery Show in the United States this year as well.

There were weeks in the second quarter when we brought in over $0.5 million of orders for batteries for applications like drones. Now drone batteries are not very large, so you can imagine what this means in terms of orders. Also be clear that we don't make cheap, commoditized, off-the-shelf solutions. We make highly specialized, complex, reliable, energy dense and robust batteries in form factors, which actually suit drone manufacturers. While other companies try to get those manufacturers to build their drones around large squares and rectangles, we're uniquely able to create batteries in form factors, which allow the manufacturers to create specialized airframes without the burden of having to design around a cheap battery solution.

Beyond that, because our batteries are more energy dense, the cost per stored energy is lower. Because of our robust and safe technologies around preventing thermal runaway and just generally managing battery cells better than the cheap options do, we're able to provide a highly engineered and complex solution. In the long run, that cost drone manufacturers less. But most importantly, it allows them to execute on their missions with a bespoke solution rather than trying to make something off-the-shelf work.

The additional layers of safety that our batteries deliver to these companies are also a very important factor in their decision-making process. You don't have to think very hard to consider how damaging it is for a drone operator to have one of their systems fail because a battery has caught fire or failed to deliver energy to the motors. That's an expensive error, not just in terms of replacing the drone itself but also in reputational cost and potential risk on the ground. Our battery solutions are complex and highly safe, and so we significantly reduce the risk for the manufacturers and the operators.

Our BeamFlight drone recharging platform, which is patented, does for drones what EV ARC does for electric vehicles. We're able to deploy charging for drones in locations without construction and without any connection to the electrical grid. This means that drones can fly their missions and recharge without returning to an operator. But clearly, that's a very significant advantage in a contested environment where an enemy might follow a drone back to an operator while it needs to be recharged.

With BeamFlight, the drone can recharge without ever returning to the operator, thus denying the enemy the opportunity to locate that operator. We also believe that BeamFlight will be very important in terms of the scaling of drone operations around industries like package delivery, where drones with limited range can touch down and refuel on route, thus extending their range and capabilities significantly.

It should be apparent that we are increasingly becoming a vital and vertically integrated platform for the drone industry through our ability to provide pieces of the puzzle which are absolutely vital to their success, high-quality, energy dense and safe batteries and innovative, robust and scalable means to recharge your drone so that they can be more effective on their missions. This is clearly a market with a great deal of growth ahead, and Beam Global is already playing a role in its success. I'm confident that we will be reporting more and more significant contributions to the drone industry as we continue to evolve.

But it's not only drones. We're also producing batteries for robotics, AI-controlled devices and even wildfire detection. Obviously, wildfires have been in the news a lot recently. Our ability to provide safe and energy-dense batteries for devices, which can be deployed in remote locations and detect fires long before humans might do so is clearly very relevant at a time when wildfires seem to be growing in intensity and in their destructive nature.

Fighting wildfires is an extremely expensive business, and the damage that they cause, of course, is very much more expensive. Providing solutions to an industry that can reduce or prevent wildfires is another excellent market vertical for us, and it fits very well with our existing technology and superb engineering prowess.

Similarly, our ability to generate electricity and deliver it to our customers in a manner which is more reliable and robust than that which you get from the utility grid is another highly current topic and one for which we're continuing to receive new patents and recognition. We've long been recognized for our almost unique ability to create products, which deliver rapidly deployed and highly scalable energy generation and storage infrastructure for the electrification of transportation.

But the days of our being a single product, single country, single customer company are long over. We're now a vertically integrated platform and a platform for solutions serving the most exciting and vibrant technologies and industries of today. Beam Global is focused on energy, mobility and intelligence. And we're producing patented products for those verticals and selling them to excellent customers globally.

We've often been branded, as I said, as an electric vehicle charging company. But if you look at what we actually provide to the electrification of transportation, what you'll see is that we don't provide charging services or even the appliances, which charge the vehicles. What we provide are rapidly deployed, highly scalable, highly robust and very dependable sources of electrical energy for the electrification of transportation. We just do it in really innovative and patent-protected manners without construction, without electrical work and without the requirement to extend the utility grid and of course, without vulnerability to blackouts and brownouts.

Much of what we've learned from manufacturing these products and deploying them in the harshest environments in the world, the hottest, the coldest, the wettest, the windiest places you can imagine, has informed the way we design our other energy infrastructure products and also played a role in advancing our battery technologies.

Our off-grid products are adding capacity at a time when data centers, AI, the electrification of industry, the electrification of transportation are making demands on the existing utility grid for which it was never intended. The EV industry is certainly out of favor with public markets at the moment, and yet it continues to drive significant amounts of revenue for us. That lack of market favor is primarily in the United States. In Europe and in the Middle East, we're seeing tremendous appetite for products like ours. But even here in the United States, we've seen encouraging new developments in the second quarter.

our GSA or General Services Administration contract, which is the contract that we have with the U.S. federal government, which is recently renewed by the way, and our Sourcewell procurement channel make it easy for customers like the city of Dallas, Stanislaus County, the city of Long Beach and many others to make multiple EV ARC acquisitions from us. In Massachusetts, we work with a new community electric vehicle sharing company to provide charging infrastructure to them, most interestingly, with no unit cost for the energy.

And if you think about that, if you're running a car sharing company and you don't have a unit cost for the energy, that tremendously reduces your operating costs and makes it much more likely that you'll be successful in that endeavor.

Beam Global is uniquely able to provide rapidly deployed and highly scalable infrastructure without the need for construction or electrical work and without ever producing a utility bill. And that capability becomes very much more exciting when you include our patented and unique off-grid autonomous wireless charging solution, which is absolutely ideal for autonomous vehicles.

Our ability to provide highly scalable infrastructure, which allows those autonomous vehicles to recharge without any human intervention and without any unit cost for the energy is, I believe, a fundamentally important shift for that burdening industry. I don't think anybody doubts anymore that autonomous vehicles are here to stay and that there will be a very significant growth in their use in the future.

We're seeing companies like Waymo and others deploying in cities even as complex as London. They're going to need an awful lot of infrastructure to support that and an awful lot of electricity. We can provide the infrastructure in innovative ways, which are much less disruptive and expensive, and we can provide them with the electricity at no cost, no unit cost that is and no impact to the grid or requirement for capacity increases.

Most importantly, because of our patented wireless charging autonomous solution, we're able to refuel their vehicles without them having to return somewhere to have a human being do that. That's real autonomy. And I think it will be really important to the industry. We're uniquely positioned to provide that solution, and we have it well patented. And I can assure you that our customers with existing autonomous vehicles are backing that theory up.

I've just returned from Europe, where I've been working out of our Beam Europe offices in Belgrade. While I was there, we made several business development trips to governments and commercial entities alike across the region. We have a growing installed base of EV ARC and other products in Europe now. And as we've learned repeatedly through our history, the best way to sell our products is to have them deployed for customers because when other people see them, they want them.

Beyond that, the results delivered by those deployments that we've done in Spain, Montenegro, Romania, Hungary, Serbia and other places have been staggering. We're seeing more than 90% utilization rates and tremendous amounts of energy generated and delivered to electric vehicles in locations where it would have been either too expensive, too disruptive or even impossible to extend the utility grid.

By the way, those are not always remote locations. We quite often find our ability to deploy in the middle of cities and relieves them from the tremendously expensive and disruptive operations of digging up their streets and extending cabling to places where people want to charge their cars. You may be aware that New York City is our largest municipal customer, and all of those systems are deployed within highly urbanized areas.

In Europe, I met with government ministers and senior executives at very large corporations. And in every instance, I was encouraged to see that they already knew who we were and in many cases, had already seen our products. We're now going through the procurement processes with our Beam Europe team.

All of these countries and companies know that they're going to need a tremendous amount of infrastructure in the next decade. All of them are looking for ways to deploy quickly without disruption and in ways which will not negatively impact their utility grids. They're now seeing our products providing precisely those solutions in the field. They're now seeing our happy customers who are delighted that they elected to use our solutions instead of going through the lengthy, expensive, risky and onerous process of construction electrical work.

They're now seeing that it's possible to run large fleets of vehicles on nothing but locally generated and stored electricity without ever paying a utility bill and without being vulnerable to blackouts and brownouts and other lack of capacity related risks. We may have been ahead of our time for much of our existence, but our time certainly seems to be arriving in Europe.

Again, this is not about providing EV chargers or EV charging services. We leave that to others. This is about providing highly robust and innovative electrical generation and electrical storage infrastructure in locations which are vital to the operations of these types of organizations. Anybody can buy a charger and get the services behind it. But getting that charger installed and getting electricity to it is a very burdensome project and full of risk. Our products solve for that risk and also provide sources of emergency power, which are increasingly recognized as vital by the types of organizations we target.

Our products also provide extra capacity to overburdened grids. And I can't find anybody in government or industry who doesn't recognize that that's a serious risk and one that we are solving. These solutions again derive from the suite of patented technologies that we've developed and evolved into a platform, which addresses energy, mobility and intelligence.

And it's not just innovative technology that we're providing to the electrification of transportation. We've also introduced business models, which have upended the normal thinking and been extremely popular with our customers and their guests. Part of the reason that we're so well known in the Balkans is because of our highly visible deployment of Belgrade International Airport. That's a deployment, which is a sponsorship funded, creating a profitable recurring revenue stream for us and providing electric vehicle charging at the airport without construction or disruption or a utility bill. It's making electric vehicle charging actually free to the visitors of their premium parking.

And the best part about this model is that Globos Insurance, that's the company who is sponsoring it, is extremely happy with the results. Like any insurance company, they are good at data analysis and crunching numbers. The positive reactions that they're seeing, the cost per impression and all around positive impacts of this deployment have made them continually happy and increasingly happy with their investment and inclined to renew their agreements with us.

We also announced in the second quarter the expansion of our recurring revenue sponsorship model through further deployments in the region. I've long believed that this can be an extremely successful model for us. It creates a profitable recurring revenue stream, and it provides a mechanism for us to deploy larger volumes of our products to customers who do not provide the capital for the infrastructure. They see benefits which are far more lucrative for them than simply supplying kilowatt-hours. And again, we're expanding this business now. So we're proving it.

I'm confident that we'll see many more such deployments in the future in Europe. And I think it's only a matter of time before American entities start to see that they can benefit more by spending their advertising and marketing dollars on this type of infrastructure deployment than the benefit that they receive from billboards or other more traditional advertising media.

Let's face it, off-grid, renewably energized, free electric vehicle charging and energy security infrastructure is a hell of a lot more exciting than a billboard is. If you're looking to enhance your brand image, consumers are going to be a lot more impressed by you providing them free fuel than they would be by you putting up another billboard along the freeway.

Remember, these deployments are not targeted to electric vehicle drivers. They're targeted to everyone who sees the striking, attractive and highly visible infrastructure, which we deploy. Globos Insurance is not interested in the number of people who charge their electric vehicles on the branded systems, not solely anyway, although that is an impressive and growing number of people.

They're much more interested in the 7 million people a year that transit the airport and walk past their heavily branded systems when exiting or entering. It's about creating highly visible and attractive infrastructure that enhances a corporation's brand image. Dispensing electricity into electric vehicles is secondary in importance.

We're also continuing to see success in our smart cities infrastructure solution deployments. During the second quarter, we deployed these sorts of solutions in more than 30 cities across 5 countries. The revenue from these deployments is, of course, important. But from a strategic growth point of view, expanding our footprint and getting more and more of our products in front of customers makes us more stable but also creates a platform from which we can sell our other solutions. We've already seen this working.

Much of the revenue that we're now generating is coming from customers for whom we've deployed products before and often quite different products from those that we're most recently selling to them. Our strategy of creating a vertically integrated platform, producing unique and intellectual property protected products for energy, mobility and intelligence is paying off. While our products are diverse, they're all related in that they all have aspects of these three pillars.

Most of the customers that we have for one or more of our products can be equally interested in the rest of our portfolio or at least be very clear on who in their organization would be. Vertical integration is helping us control costs and create further barriers to entry for the competition. For example, I'm not aware of anybody in our industry who creates their own batteries. I'm not aware of anybody in the drone industry that makes batteries and charging infrastructure products, which were able to generate and store their own energy and be deployed anywhere. I'm not aware of anybody in the smart cities infrastructure industry who has so much experience around the electrification of mobility as we do. And the electrification of mobility is going to be a massive and central pillar in the deployment of future smart cities.

I'm not aware of anybody in any of the industries that we serve who's able to deploy, rapidly scale autonomous wireless infrastructure for the autonomous vehicles that are coming and in fact, already here. Autonomous vehicles are certainly going to play a very major role in the future of mobility, and we have a unique and patented, and tried and tested solution, which is paradigm shifting for them.

In the second quarter, we demonstrated our product platform to make it in the Emirates event, which took place in Abu Dhabi. Even during a war, when there's tremendous amount of uncertainty in that region, this event was very well attended. And interesting, at least from my point of view, any reduction in attendees was at the consumer level, which we don't really focus on, while corporate and government leaders were there in abundance.

We were extremely busy during the several days that we were there, meeting with the leaders of law enforcement, military, government, energy and transportation and oil and gas and many others from across the Middle East. The unique attributes of our products were not lost on this audience, and our Beam Middle East team is now following up with senior decision makers in a region that has an abundance of sunshine, an abundance of cash and a powerful ambition to be technology leaders, particularly in the fields of mobility and smart cities infrastructure. We actually sold one of our demonstration units right there and then at the show. It's now deployed and providing charging in Abu Dhabi.

The disruption in the Middle East has certainly gone on longer than I think any of us anticipated. Nobody can pretend that business and investments are advancing at the same pace as they were before the war. However, there's a great deal of confidence that this war will come to an end eventually whatever the outcome and that when it does, the entire Gulf region will return to an aggressive investment posture.

Beam Middle East, with our highly influential joint venture partner, the Platinum Group, is in the perfect position to take advantage of that return to investment. We are continuing to advance opportunities and relationships, and I continue to remain confident that when there's an end to the hostilities and a return to something like normality over there, we will reap the fruits of these efforts.

Beam Global is now truly a global technology platform company, providing energy generation, storage and security to vital new industries like AI data centers, drones, robotics, and new and innovative forms of mobility. We're being increasingly recognized for the value of our intellectual property and our ability to provide technology solutions that are vital and add a great deal of value to our customers.

Our centers of excellence in the Western United States, the Midwest, Europe and the Middle East, place us firmly where the action is, with a product platform, which could not be more relevant for the fastest-growing industries and markets of today. We're doing all of this while retaining our tremendous discipline with cash and equity. We still have a far lower number of shares outstanding than any of our newer peers, 5x to 10x less than most of the companies that we're often bundled with. Incorrectly, I must add.

We still have no debt and a $100 million line of credit, which remains untapped and is dry powder for us in the event that we receive the very large orders, which we anticipate and which we continue to work on. I mentioned at the top of the call that we've also significantly reduced our operating costs about $0.5 million in operating cost reduction in the first half from the same period prior year.

A big and important step in that direction has been our moving our manufacturing facilities from San Diego, California, where it's incredibly expensive and oppressive from a regulatory point of view to operate the type of manufacturing that our business requires. Now we're in Yuma, Arizona, where more or less exactly the opposite conditions exist. We announced in the quarter that we'll save just under $3 million in lease payments alone as a result of this move. Beyond that, labor savings, compliance savings, tax savings and savings on just about every aspect of our business will be realized as a result of this move.

You're now looking at Beam Global, which has significantly expanded its presence and its technology portfolio and is generating revenues from those new technologies and new geographic locations in a way that we have not previously. You're looking at Beam Global, which grew revenues 174% quarter-over-quarter. You're looking at Beam Global that improved gross margins by 30% over quarter -- quarter-over-quarter and a Beam Global that significantly reduced operating costs while delivering highly relevant and well-patented products to some of the most highly sought-after customers in the world.

You're looking at a Beam Global that's increasingly becoming a technology platform for drones with our drone battery solutions and recharging solutions. I fully intend that we will continue to increase our presence in that industry and the role that we play in it.

You're looking at a Beam Global that, for the moment at least, is stuck in a rut of valuation with a bunch of EV charging stocks, yet we don't provide EV charging. We provide highly robust and secure energy generation and storage products, which, amongst other things, make EV charging work in more innovative ways than anybody else that I know of. We intend to break out of that rut because the value of our products and technologies is undeniable. Our ambition to grow the business is matched only by our discipline in how we do it. And our history is one of proving again and again that we have the right products and the right stuff to build an incredible growth engine for our employees, our customers and above all, our shareholders.

I thank you for your time and attention. And now I'll hand the call back to the operator and take any questions that you may have.

QUESTION AND ANSWER

Operator
[Operator Instructions] The first question comes from Craig Irwin with ROTH Capital Partners. Please go ahead.

Craig Irwin
Good evening and thanks for taking my questions. Desmond, I was hoping you could speak maybe a little bit more about the order book. You have saved some good progress there, particularly around Europe, the Middle East and your drone-related products in North America. Can you maybe just unpack for us the areas of highest growth in the order book this last quarter? And are you seeing the trends that you've played -- that have played out in your revenue as far as the strong quarter that you just booked? Are you seeing those same trends continue in the backlog and in the overall revenue generation in the current quarter?

Desmond Wheatley
Yes. So we've seen increase in orders across the board. But I must say, the battery and energy storage business is certainly standing out at least from a percentage point of view, albeit coming from a lower base in the first place. But you're right that the -- particularly the stuff that we're doing for some of these defense applications, drones, those sorts of things, are -- they're playing an increasingly important role for us, and we are playing an increasingly important role for them.

And as I said, a couple of times during my comments, I think you should anticipate that you're going to see us getting a lot more involved in those industries because it just turns out that the platform that we have created over the last several years has just positioned us very well, and the timing is very good for us now to take advantage of everything that we've learned creating these energy storage solution, deploy them in very harsh environments, creating these form factors, which are unusual and difficult to reproduce for most people in the industry.

I think you might remember, I think it was a quarter ago or something that we announced that we were developing batteries for a company called Ray Systems that makes an underwater drone, where real estate and silence and heat and everything terribly important. And they just don't know of anybody else who can do what we can do. And that is also true of some of the very high energy density, high energy release battery solutions that we're doing for weapon systems and now advancing into the data center market.

So order book is telling us that we're shooting at the right targets. Our order book is also telling us that the investments that we made in international expansion were absolutely the right thing to do. I got a lot of flak when I raised money to make the acquisitions to get us into Europe. Good God, with hindsight now, that was absolutely the perfect thing to do, open massive markets to us, enabled us to get into the Middle East, and we're -- the types of orders that we're getting there for products across the board show us that, that was the right thing to do. So I'm enthusiastic about this. I think we're definitely shooting at the right targets and the order book is backing that up.

Craig Irwin
I also wanted to ask about the gross margin progress. So this, again, was another healthy gross margin quarter. And there's a little bit of blue sky between where you are now and what your longer-term gross margin targets are. Can you maybe discuss the margins on some of these

new business opportunities, particularly in Europe? I know that the EV market was just absolutely brutal as far as competition. And in defense markets and others, the customers want their suppliers to make money. They're not there to put you out of business. Can you maybe just give us a little bit of detail on margins and the expected margins from your current book of business?

Desmond Wheatley
Yes. So you're absolutely right that there's still a big gap between where we are and where we want to be. A good deal of that has to do with volume. For instance, the major element of the pickup that we saw between the first quarter and the second quarter was simply producing a lot more product and getting it out of the door and overcoming our fixed overhead allocations. We've got a lot further to go there.

As you see our non-GAAP margins 26%, 27% right now. And we say non-GAAP, all that is doing, it's GAAP except that we're reversing out the non-cash contributions. But the unit economics are way better than that. And so that tells us that we've got a lot of ground to gain in gross margins without changing anything else except increasing volume. And obviously, we're working very hard towards that.

But there is still a lot of opportunity for cost reduction, even beyond just increased volume. And the good news is, particularly around things that we're doing around batteries and in the drone industry and other areas like that, we're -- because we do difficult stuff that other people can't do or at least the majority cannot or are not doing, I've always been a fan of margining expertise, and that's where we are. We don't make commodity products. We make products which are difficult for other people to make and then we make them well and make them in a really robust manner.

So I have often said that I think this is a 50% gross margin business. We're halfway there when you back out the noncash items, and we're way more than halfway there when you look at unit economics, unit economics on some of our more expensive products as much as 40% gross margin now. That's an important metric because once you get enough volume to overcome the fixed overhead allocations, that 40% gross margin becomes what we end up reporting.

So we're on track. I'm not -- am I happy? No. Will I ever be? You've known me a lot of years, Craig. You've never known me be happy with anything, but we're moving in the right direction. And I think the team is doing a great job. Volume will deliver a great deal of this and then continuing to do the difficult things that other people can't do.

Your last point about the competitive environment in Europe around EVs, so two things there. First of all, EV sales in Europe, up 35% year-over-year. Anyone who thinks the EV is dead is just completely missing the mark. We're in an anomalous period in the United States right now, which is going to come to an end with certainty. And in the rest of the world, EV sales are growing very dramatically. I was in Norway recently, 95% of new vehicle registrations, electric. I was in the Netherlands. 65% of new vehicle registrations, electric. You drive around streets in Norway and the Netherlands, you don't see anything but electric cars. So it's absolutely happening.

And so -- but your point is absolutely correct that it's very competitive there. But it's not for our products. Remember, we're not in the EV charging business. We don't make EV chargers, highly competitive business. We don't offer EV charging services, highly competitive business. We make very hard-to-manufacture with full of intellectual property, energy generation and storage systems, which provide the power for other people's low-margin EV chargers, but we have really no competition in that space. We're operating in many tenders now. We -- our products are in many tenders, which, of course, we hope to win in Europe.

Selling over there is slightly different. You end up in these tender vehicles, and we're in a lot of them now, which is part of the reason we feel so bullish about the future in Europe. And we're in them alone because there simply isn't another product out there yet, which can compete with us. And again, we have very good patents and intellectual property protection, and we intend to defend those vigorously.

Craig Irwin
Okay. And then last question, if I may. You're clearly shooting at the right targets now. My question is are you shooting at any elephants. Is there anything that can make a dramatic impact on your P&L over the course of the next year that we could potentially see booked within the next couple of quarters?

Desmond Wheatley
Well, again, you've known me a long time. And the fact is, the answer to your question is, yes, I am. I can't obviously go into any details around all those things. And the thing about shooting elephants is, oddly enough, even though they're big targets, sometimes you have to shoot at quite a lot of them to bring one down.

But I've had a history of doing what I said I was going to do over the years. Sometimes it takes me longer, and we have had a very hard time. There's no question about that. The reduction in acquisition from government entities of our products after we basically wound up a federal selling machine -- has been very tough on us. But boy, are we coming out of the fire quickly. But there's -- honestly, Craig, the honest, best answer I can give you is there's never a time when I am not trying to bring down something which is going to be fundamentally shift for this company. And I got of energy, and I have a lot of passion for the business.

And I'm not alone. There are many other members on our team now, senior members and others alike who are shooting at very large targets, single signature away from doing something which completely changed our whole trajectory. Can never guarantee we're going to get there and even less, win. But we do have the right products, the right industry, shooting at the right targets, and again, a history of performing. So, I feel personally, my personal view, I have a high degree of certainty that we will get there, but I do have to caveat that by saying that that's my personal point of view.

Craig Irwin
Understood. Well, congratulations on the significant movement this quarter.

Desmond Wheatley
Thanks very much, Craig.

Operator
The next question comes from Tate Sullivan with Maxim Group. Please go ahead.

Tate Sullivan
Good afternoon. Great. Thank you. And you ended your prepared remarks with a mention of the -- your intention to actively participate in the drone and robotic markets. Can you comment on your competitive advantages with your customized battery in those markets? And are

competitors, I think you hinted at, less flexible in general with their solutions than your battery business?

Desmond Wheatley
Yes. I think -- I mean, look, it's -- you can't have a drone if you have a power source for it. And we do two things really cleverly. We have a way of recharging them without human interaction and in remote locations. And again, remember, when I say remote location, I'm not talking necessarily about the middle of a national park or on a contested battlefield. Sometimes that's just a rooftop in the middle of Los Angeles or something like that. So, we've got that piece of it linked. And yes, our ability to create these highly energy dense, very safe and bespoke form factored energy storage solutions is a major leg up for us.

But there's another part of it, too, which I think is really interesting. If you look at all of our existing customers, yes, U.S. Army is still our largest customer. Marine Corps is in the top 10, lots of law enforcement, border patrol, European militaries and all those sort of things. You can see where we're positioned to where we're kind of at the center of something here. And they are certainly very aggressively looking towards drones and robotics to improve their operations one way or another, and we are very well positioned for that.

And so, beyond that, again, everything that we've learned over the last decade or so of deploying infrastructure in very tough environments, creating energy storage solutions for very tough environments and marrying that with our existing customer base, I think, puts us in a really, really interesting place where this is concerned, and I do intend to capitalize on that to the extent that I can.

Tate Sullivan
Thank you. And then can you -- you got comments on the wireless charging opportunity and certainly with more autonomous vehicles. But can you remind me of the scope of your existing wireless charging patents? Is it integrating the wireless charging pad with your EV ARC design? Do you have some patents on the wireless charging itself? Can you go into detail there, please?

Desmond Wheatley
Yes. So, you're absolutely right. We will remain relatively agnostic on the charging interface itself but just as we have always done with every other type of EV charger. That was a very deliberate and conscious decision on our part, recognizing what competitive blood bath that was going to be and also how rapidly things would change. What's really important about what we can do is our ability to deploy wireless charging rapidly at scale and without construction or electrical work and do it in a way where we can disperse it.

If you think about a city environment, where, let's say, a robotaxi is operating. We can put charging no more than 2 minutes away from every drop-off or pick-up point that a city does, and we can do it without construction electrical work, impact to the grid or the tremendously high cost of electricity and infrastructure that are required when you bring all of those robotaxis back to a central location, plug them into very high-speed charging and have human beings do that.

We can replace that entire model. You don't need superfast charging, which damages the vehicles. You don't need superfast charging, which is incredibly expensive. You don't need to buy incredibly expensive electricity burden with demand charges and all these other things. In fact, you can operate your fleet on zero-unit cost for the energy without construction, without electrical work, without human beings. And the wireless charting solution that we have, we talk a lot about robotaxis because that's what gets the press.

But it's also incredibly interesting for drayage, logistics, material rehandling for drones, for robotics and for all sorts of other equipment as well. And our ability to deploy in the very robust and dynamic way that we can is the major differentiator for us. And again, I'm not aware of anybody in the world today who can match us, and we have good intellectual property protection over those patents.

Tate Sullivan
And last for me, on the -- since you did the San Diego transition of the lease transition at the end of the quarter, should we forecast any sort of costs in this current quarter related to moving the manufacturing to Arizona? Any -- I mean, do you have mostly hourly workers in San Diego? Any equipment moving costs or those kind of costs?

Desmond Wheatley
Yes. So obviously, there were some costs related to the move, but we did it like Beam does everything. We didn't spend a dollar or dime or a penny, where we didn't need to. We self-performed a great deal of it because actually nobody is better qualified than our own people to move our machines and equipment and that sort of stuff around. So, there'll be some cost related to that.

But the real savings kick in basically moving forward from here, tremendous reductions, as I said, in rent, tremendous labor, compliance and all the other costs. Literally, $1 goes twice as far in Yuma, Arizona as it does in San Diego for just about everything that we do. And as far as our team is concerned, what's been fantastic about that is that everyone who we wanted has moved, and they're -- thrilled to go with us.

So, we're not going to have to go over there and start from scratch. We'll be taking the same equipment, the same tooling, same everything and even the same key people will be moving over there. And then as we do expand our labor force in Yuma, which, of course, we expect to, the typical labor rates that we'll be paying are about three quarter, just hourly and the salaries, about three quarter face value of what we pay in San Diego with. And then when you burden them with all the other costs that come along with that, much less expensive again for us.

By the way, at time -- just to round out on that thought, obviously, you can imagine that from our point of view, at a time when we're really aggressively getting back into growth and producing a lot more products, this idea of moving to a place where we just day -- every day have much lower operating costs and at the same time, expanding revenue and margins, it's very important for us, and I'm really enthusiastic about it.

Tate Sullivan
Thank you.

Desmond Wheatley
Thank you. Tate. And just by the way, before I take the next question, I just want to say for everybody listening on the call, remember, San Diego is only one of our facilities. The manufacturing now moved to Yuma. We also have factory facility in Chicago, where we make our batteries. And we have two factories in Belgrade -- well, one in Belgrade and one in Kraljevo in Serbia, very much larger. We own all the land and buildings there. We have no lease liability there. What we have is an asset, which, while it depreciates on the balance sheet is, in fact, getting more valuable every day to the company.

And I just -- as we expand further into these markets, the drones, robotics and things like that, I want everybody to understand, we have tremendous manufacturing capacity here with human beings have the training, electromechanical, structural and everything else like that, that can easily be transferred to these industries, too. So that's another reason that we're so bullish about the fact that we've created this tech -- this platform of technology now that we are now using to address these exciting areas, is because our people are -- have the capabilities and even in most -- in many instances, the equipment and tooling to actually perform tasks in these new verticals that we previously have not been addressing.

Sorry, I just wanted to make sure that we clear on that, and I'll go back to the next question, please.

Operator
The next question comes from Ryan Pfingst with B. Riley Securities. Please go ahead.

Desmond Wheatley
Hi, Ryan.

Soundarya
Hi, team. This is Soundarya on behalf of Ryan. Thanks for taking my question. I'll start on the batteries. So you mentioned that more than $0.5 million in drone and robotics orders in a single week. Can you give us a sense of where that business sits today in terms of revenue? And what does the pipeline look like from here? And on the data center opportunity, is that a 2027 event? Or we are further out than that?

Desmond Wheatley
Yes. So we don't segment the business owner. So I can't break out revenues per segment. We speak in loose terms about geographic revenue breakouts, but I have to be really careful on this because it's an accounting rule that we are on. So I can't give you the actual contributions from any of these groups. But I can tell you it's growing, and it's growing in the way that I want it to with very, very high-quality sales and very high-quality customers.

As to your question about the data center opportunity, I don't know. Obviously, every day we're reading and seeing about the power problems -- power crunch problems. Most of the time, people talk about utility-scale batteries for data centers, but what's being missed, and this is what our team has so cleverly, I think, identified, and again, we've got industry backing it up. It's not our opinion -- is the fact that actually the energy requirements are not just about producing utility-scale energy for these things, but it's also about producing very large bursts of energy, sometimes for very short periods of time.

This is particularly true where AI is concerned rather than just normal data centers because of the way those AI data centers operate. They get these tremendous requirements for very large surges in power for very short periods of time. And as I said in my remarks, batteries don't like doing that. You have to really do a lot of good science and engineering to create battery solutions that are able to provide for that. And just serendipitously, we spent a lot of time developing that type of prowess for weapon systems, which require the same type of capabilities.

And so, the answer to your question is, I don't know, but I'm pretty clear that it's going to be a very large opportunity for us, I believe. And we were, again, like a lot of other things we do, uniquely positioned to take advantage of it.

Soundarya
Thank you for that color. And then on the recurring revenue, EV ARC deployments in Europe, the sponsorship-funded rental in Serbia and Spain. So how big can that model get? And does it change the margin profile?

Desmond Wheatley
Yes, it does. I mean, it's -- we expect it to be highly profitable because it's a recurring revenue model. It doesn't involve us actually selling the units. They remain on our balance sheet. And we're not pricing this based on electricity or anything else as mundane as that. What we're doing is we're competing with other forms of outdoor media, and it turns out that we're a very attractive solution for that.

And so, we expect that -- I'll get in trouble for this comment because people have been hearing me talking about the sponsorship model for years, and I've always been bullish about it. The difference between now and then is we're actually doing it now. We're pulling it off now, and we're seeing it scaling up. And so, honestly, I don't know what the potential for it is, but I think it could be very large.

The world is going to need an awful lot of charging infrastructure deployed. They're going to need rapidly deployed charting infrastructure that's off grid. We have a unique solution for that. And our ability to find ways of paying for that, which don't involve capital expenditure and don't involve people paying per kilowatt-hour, which is a model, which I've got to say, I can't figure out to make that work in my own head. This is a much better way of doing this.

As I've often said before, charging, from our point of view, for charging cars is like trying charging for ketchup in a steak restaurant. I think we've uncovered the steak. We're going to give the ketchup away for free, and I believe that there's a very large opportunity. And it's an important recurring revenue, high-margin opportunity for us as well. And of course, that's -- no business wants to turn their back on that.

Soundarya
Yes, understood. And just last one on the Middle East front. Are you seeing any progress in terms of new orders or any conversations progressing?

Desmond Wheatley
Yes, without a doubt. But I don't want to create any wrong impressions here. The simple fact of the matter is people are feeling -- at least in my experience, people are feeling pretty uncertain there at the moment. It's not surprising. The situation is changing daily. One minute, we've got an agreement and where there's peace. The next minute, we're going to flatten the whole area and turn it into a parking lot. None of us know what's going to happen tomorrow in that region.

However, the things I said about it, sunshine rich, cash rich and incredibly aggressive about moving to -- about new mobility models. I mean a lot of the things that we're talking about here in the U.S., autonomous vehicles, the EV toll taxes, those sort of things, they're already actually using them in Abu Dhabi where our headquarters are.

So it's a real shame. Timing has been appalling for us. I could never have imagined that this was going to happen when we started Beam Middle East in the third quarter of last year. Shame on me, I suppose, I don't know. But I'm confident that this is -- it's a region that's not going to go away. This will come to an end. I don't think it's in anybody's interest to prolong it. Well, certainly not in ours, meaning the U.S.'s.

And so, I think it does come to an end. And when it does, as I said in my comments, we're going to be very well positioned to take advantage of that. Remember, this is a region that has publicly disclosed that they intend to spend $1 trillion on sustainable infrastructure, much of it focused on mobility in the next decade. And we have solutions, which are actually ideally suited for the marketplace and a very, very good setup there with our relationship with the Platinum Group.

When we were at Make it in the Emirates, I couldn't believe the quality of the meetings that we had. Not some ranking officer in the police department, the police chief, not some lower officer in the military but general-level people, not some lower office government minister but top ministers coming to us.

And why? Because they were being brought to us by our partners at the Platinum Group, who are incredibly influential there. That was always their role, what their role was designed to be in the joint venture. We're operationally and product-wise and everything, we control the organization completely.

Their role was always to help us smooth over rough edges and bring us these types of opportunities and introductions. And I have to tell you, they earned their money. I'm very happy to be partnered with them, and it worked very well for us. We just need this bloody war to come to an end, and then we can get back to work over there.

Soundarya
Thank you, Desmond for those clear answers, and congratulations on the quarter. I will pass it over.

Desmond Wheatley
Thank you very much. We are coming to the end of our time, but I am prepared to take -- I will take another, I guess one more question here.

Operator
The next question comes from Brandon Wichman with Individual Investor.

Desmond Wheatley
Hello, Brandon.

Brandon Wichman
Thank you very much, Desmond. Appreciate everything you’ve shared about the quarter. Just one question I'll ask you. I'll try to wrap it up real quick. Just looking at your manufacturing around the world, you manufacture here in the U.S., over in Europe. Segment it if you could, but if you can't, I'd understand. I'm just curious, with all the facilities you have, what is the maximum amount of revenue roughly do you think you could produce worldwide? And if you can break it down by continent?

Desmond Wheatley
I'm hesitant to throw that number out there because I'm going to get flak for it, but it's very significant. We have never come close to maxing out our facility in San Diego. We were capable of producing revenues in the hundreds, not the tens of millions of dollars across globally. And we've never come close to maxing out our capabilities even in that facility.

Our Yuma facility will be as capable, if not more so. And the great thing about the Yuma facility is that we intend to in-source a good deal of stuff that we have been outsourcing in San Diego. A great example of that, coatings, sandblasting and painting, expensive, disruptive and something that we've been outsourcing in San Diego, we will, in the future, be in-sourcing that in Yuma. And that will further improve our gross margins and reduce our risk and friction in terms of running the business.

Now that's the San Diego, Yuma facility. We have another 30,000 square feet in Chicago for batteries and for other types of devices, which, as I've mentioned, our people have the skill sets to start getting involved in manufacturing some other very interesting things, which I intend to pursue. But in Serbia, we're 5x again bigger than that, under roof, 250,000 square foot under roof in Serbia and then another 6 acres upon which we can expand. And remember, we own the land. We own the buildings. We own everything over there. So we don't need anybody's permission to do anything, and we have an incredibly friendly government there in terms of our expansion.

So it's certainly not hyperbole to say that we can get to $1 billion in revenue with our existing facilities. But again, I want to be a little careful with that because people sneer when I say things like that in the way that people always sneer when you talk about positive things and big plans. But we've got loads of room for expansion and not just with our existing products, with other interesting things that we intend to do as well. And the best part about that is with very little capital required to do it.

And that's hurt us because we've had a cost center historically, which has been higher than we've needed for the revenue levels we're at. But it will pay us dividends when we do get into these much higher level revenues, and we don't need to expand great deal of capital to execute on the growth.

Brandon Wichman
Awesome. All right. Thank you very much. That’s my only question. Great quarter.

Desmond Wheatley
Thank you, Brandon. Thank you.

Conclusion

Operator
This concludes the question-and-answer session. I would like to turn the conference back over to Desmond Wheatley for any closing remarks. Please go ahead.

Desmond Wheatley
Okay. Thanks, everybody, for excellent questions. Thanks for your attention and the time on this call right now. And as always, thanks for caring and supporting this company. We're definitely shooting at the right targets. We're aggressively growing into some very interesting spaces. Stay tuned. We're going to have more to talk to you about. Thank you.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.