Beam Global

Third Quarter 2026 Operating Results Conference Call

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CORPORATE PARTICIPANTS

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Desmond Wheatley - *CEO*

PRESENTATION

Operator
Good day and welcome to the Beam Global Third Quarter 2026 Operating Results Conference Call. All participants will be in listen only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your telephone keypad. To withdraw your question, please press star then two. Please note this event is being recorded. I would now like to turn the conference over to Lisa Potok, CFO. Please go ahead.

Lisa Potok
Hi. Good afternoon and thank you for participating in Beam Global's Third Quarter 2026 Operating Results Conference Call. We appreciate you joining us today. Desmond Wheatley, President, CEO, and Chairman of Beam Global, is joining me. I am in San Diego today, and Desmond is joining us from Ukraine. 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, November 18, 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. Revenue in the third quarter was 6.7 million. It's up 15% year-over-year, and our gross margin improved to 21.3% or 31.9% on an adjusted non-GAAP basis from roughly breakeven in the third quarter of last year. Our diversification continues to show in the numbers. Commercial customers represented 92% of revenue in the quarter, and 56% of our sales came from outside the United States. Backlog ended September at 6.9 million. It's up 28% from the end of June, and our cash balance is up 67% since the start of the year. We continue to operate with no debt, no going concern qualification, and an unused $100 million line of credit.

Operationally, the quarter was active. Beam Europe had a record quarter for smart city infrastructure with approximately 4 million in orders. We received more than $0.5 million in battery orders from reoccurring drone and autonomous robotics customers in a single week, and we continue to receive repeat EV ARC orders through our federal GSA channels. We also completed the relocation of our manufacturing operations to Yuma, Arizona, a move we expect to generate approximately 3 million in rent savings over the five-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 just a moment.

Turning to the financials. Our third quarter revenue was 6.7 million, an increase of 15% compared to the 5.8 million in the third quarter of 2025. For the first nine months, revenue was 18.4 million compared to 19.2 million last year. The difference we believe is primarily a function of order timing rather than a change in our underlying demand. On gross profit, we reported 1.4 million or a gross margin of 21.3% compared to a gross loss of 28,000 or a negative 0.5% in the third quarter of '25.

Our cost of revenues included noncash depreciation and intangible amortization of 700,000 this quarter and 800,000 in the prior year quarter. Excluding these items, our adjusted non-GAAP gross margin was 31.9% compared to 12.8% in the prior year period. For the first nine months, our gross margin was 13.8% compared to 9.9% last year, and our adjusted non-GAAP gross margin was 25.4% compared to 21.5% last year.

We expect margins to continue to improve as our volume grows, reducing the impact of our fixed overhead on each unit sold and as our cost reduction initiatives including the move to Yuma takes further effect. As for our operating expenses, they came in at 5.9 million compared to 4.8 million a year ago. The 1.1 million increase was primarily related to a 4 million increase -- a 0.4 million increase in noncash stock-based compensation, a 0.4 million increase in legal expenses, and 0.3 million of costs associated with the relocation of our facilities.

For the first nine months, operating expenses were 16.7 million compared to 26.8 million last year, which included the 10.8 million of noncash goodwill impairment. Excluding those noncash items including that goodwill impairment and the provision for credit losses, our non-GAAP operating expenses for the first nine months were 12.7 million, an increase of 0.2 million or 1% compared to the 12.5 million last year. Our net loss was 4.5 million compared to 4.9 million a year earlier. The quarter's net loss included 2 million of noncash charges, primarily stock-based compensation, depreciation, and amortization. Excluding these items, our non-GAAP net loss was 2.5 million or 11% per share -- $0.11 per share compared to 2.8 million or $0.16 per share in the prior year quarter. For the nine months, net loss was 14.4 million compared to 24.7 million, which included last year's 10.8 million goodwill impairment. The nine-month net loss included 6.2 million of noncash items. Excluding these items, our non-GAAP net loss was 8.2 million in both periods.

We believe the third quarter's year-over-year growth in revenue and gross margins together with our narrowing net loss reflects our initiatives to expand our opportunities, our disciplined cost structure, and the largely fixed nature of our noncash charges and is indicative of our meaningful operating leverage as our revenue grows. We ended the quarter with 1.6 million in cash. That's up 67% from December 31st, and we remain debt-free with an unused $100 million line of credit. We believe we are well positioned to fund operations and support our growth initiatives.

In closing, the third quarter delivered year-over-year revenue growth, significantly improved our gross margins and a growing backlog. Our diversification continues to gain traction with commercial and international customers now driving the majority of our revenue, and our cost structure remains 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, everybody, for tuning into Beam Global's Third Quarter 2026 Earnings Call. I'm speaking to you tonight from Ukraine where I'm meeting with government officials, the military, grid operators, energy providers, and local businesses to find ways to improve Ukraine's dire energy situation through the application of Beam's technology and products. Now, the good news is that things are calm here at the moment. However, in the event that there is an attack, I may have to leave this call abruptly and head down to the shelter, which is quite comfortable, by the way. If that does happen, Lisa can continue without me, and I'll be happy to return to any of your questions or comments as soon as I'm able to communicate again.

Before coming to Ukraine, I spent a week in Poland at the ReBuild Ukraine Expo as part of the California State Trade mission. It was a very busy week with back-to-back meetings during which

we presented Beam Global's full suite of products. As a result of the invasion, many aspects of Ukraine's infrastructure are under stress but none more so than their electricity grid. The Russians understand that energy particularly electrical energy is key to all aspects of life whether it be the economy, industry, or just people's day-to-day activities. Ukrainian civilians are suffering from blackouts at unprecedented levels with over 60% of their grid infrastructure destroyed. Though their efforts to repair the damage are valiant -- Ukrainian utility workers, by the way, have one of the most dangerous jobs in the world at the moment because the infrastructure that they're repairing is constantly being retargeted. Still, their efforts are not sufficient to undo the destructive force of Russia's military targeting of their energy infrastructure.

Ukraine is today being forced to learn hard lessons about the vulnerabilities of centralized grid infrastructure. These are lessons which, not coincidentally, Beam Global has been preaching for over a decade. In fact, back in 2020, I authored a piece called Grid Pandemic, which described the vulnerabilities in the U.S. grid, pointing out that there are -- we are no more than nine substations away from a total blackout in the United States, a vulnerability which U.S. Congress Investigative Committee suggested could result in the loss of 99% of Americans' lives were it to be prolonged.

Beam has been concentrating on creating products which generate, store, and dispense electricity close to load. Through our energy resiliency and energy storage solutions, we've created a portfolio of highly decentralized and disintegrated products, which provide nodes which are invulnerable to centralized failure. Nowhere in the world today is there more awareness of the centralized vulnerabilities of the grid than in Ukraine. That's why I, along with my colleague, Ivan Tlacinac, General Manager of Beam Europe, am spending time here to explore the most efficient routes to get our products as quickly as possible into this market to assist them.

There's a very great emphasis on decentralizing and disintegrating energy infrastructure and on providing solutions which will continue to deliver electricity even when the grid is knocked down at a regional, local, or indeed national level. Beam Global has been providing such solutions for over a decade now. In fact, many of our largest customers like the U.S. Army, Marine Corps, New York, State of California, and others have acquired our products not least because they provide a layer of resiliency during periods of grid failure.

When coming to Ukraine, you cannot fail but be impressed by the resiliency, spirit, and morale of the people. They're generous and friendly, and not surprisingly they want to defend their homeland. From a business point of view, there's a massive opportunity here both from rebuilding and also from providing solutions which help them repel the invader. It just so happens that Ukraine is almost a model environment for the areas upon which Beam Global has been focusing, energy resiliency, generation and storage, the future of innovative mobility, smart cities infrastructure, and autonomy.

Remember that in Europe, Beam is about the fourth largest streetlight manufacturer. We also produce communications, energy, and other traffic and road infrastructure products, which will be and in fact are currently needed in Ukraine for rebuilding or just for maintaining the status quo. Our facilities in Serbia are just 500 miles from the border of Ukraine. Belgrade is closer to Kyiv than San Diego is to Denver. You can see that we're very well positioned from an infrastructure point of view to play a significant role in the rebuilding.

Much more than that, our energy resiliency and storage products provide tailor-made and perfect solutions for the current stresses facing the energy infrastructure here. Ukrainians are adopting electric vehicles at a rapid rate. So, our innovative future mobility products, including EV ARC,

BeamSpot, and our other electrification of mobility products should also find fertile ground here. Like most war-ravaged countries, as they rebuild the infrastructure, they will not replace last century solutions with the same. Rather, they'll seek out infrastructure solutions of the next century. Of course, these are the very solutions which we develop with our resilient energy, smart cities, and infrastructure products.

In a way, Ukraine provides a sort of microcosmic validation of everything that Beam Global has been working on. The problems and challenges that they're facing here, although they're accelerated and brought into sharp relief because of war, are actually just problems and challenges which face the whole globe. I'll say this during this earnings call because it makes it clear that the products and solutions we're developing, manufacturing, and selling are about as relevant as they could possibly be. Focusing on energy security and storage, innovation in mobility, and autonomy and intelligence and built infrastructure could hardly be more relevant or current, and that's exactly what we do with our portfolio of IP-protected products. We're going to do everything that we can to uncover opportunities in Ukraine with the influential new friends that we've made here. We look forward to immediately playing a role in increasing resiliency, improving the quality of life, and, when the time comes, rebuilding their great country.

I met with California Governor, Gavin Newsom, in Warsaw a few days ago. He's a big fan of our products. Last time I met him, it was to demonstrate some of our innovation and mobility products in Sacramento, California. Seeing him here again in Poland was a great reminder of the role that America is taking in supporting Ukraine, certainly at the state level. The fact that he just come from COP31 in Turkey provides another pointer to the future in which Beam Global is playing a significant role, that of providing robust, reliable, cost-effective energy solutions, which also address the negative impacts geopolitically, economically, and environmentally of burning fossil fuels. While some of those solutions have fallen out of favor at the federal level during the last couple of years, there's no question that that's temporary. The United States and the world in fact will continue to move towards the electrification of everything with increasing reliance upon locally stored and generated renewable sources of energy. That's exactly what Beam provides.

During the third quarter, I was in Norway and also the Netherlands where electric vehicle registrations are 97% and about 75% respectively because governments have invested in infrastructure. Over 60% of new vehicle registrations in China are now electric. The level of electrification of transportation in China has actually contributed to preventing an even more extreme surge in oil prices as a result of the situation in the Gulf. You can clearly see where all this is going. Nations across the world are shoring up their energy infrastructure and reducing their reliance on extended supply chains. Said another way, they're electrifying and figuring out ways to generate their own electricity without relying on fossil fuels from others. Beam Global is playing a central role in that evolution, and I'm confident that there will come a time when our share price is reflective of that role.

Just one other point on Ukraine before I move on to our financial results. Some of you may have seen that we announced earlier this week the introduction of a new product. It's called BeamHeat. It's patent pending, and I'm very proud of it. We actually developed it specifically for this situation, though it clearly has much broader market implications. BeamHeat is a portable battery pack made up of our proprietary battery technology developed and manufactured in Chicago.

It's quite different to other portable packs in that it's an all DC system and is designed to address the fundamental requirements of Ukrainian civilians or of anyone else who's impacted by a blackout. It provides heat, a cooking surface, light, and the ability to recharge portable devices. After spending months of calls -- phone calls and meetings with Ukrainians before visiting the

country, we discovered that, while there are important strategic plans around energy infrastructure, what people actually really care about most is the fact that they're sitting in the dark and cold without the ability to make hot food or keep their portable devices like cell phones running. This situation will only be exacerbated by longer nights and colder temperatures as the winter advances.

BeamHeat is a fantastic innovation which solves for those fundamental comforts. It provides 10 hours of heat, cooking, light, and recharging of portable devices. Users plug it into the grid during the few hours of the day that the grid is operating and recharge its internal Beam batteries. Then at nighttime, they're able to stay comfortable, have light, cook some warm food, and keep their mobile devices charged. Ivan and I have met with over a dozen municipalities in Ukraine, and it's not an exaggeration to say that every single one of them said we need that product and we need it now, particularly for vulnerable Ukrainians such as pregnant women, families with very young children, and elderly or infirm people.

It also has a very clear and obvious military applications for soldiers serving at the front. We'll be meeting with the military tomorrow. We're currently working with funding sources like UNDP, the European Bank, and many others to identify monies to subsidize this product so that it can be deployed in what we hope will be large numbers to alleviate the suffering of Ukrainian civilians this winter. If you want to help, by the way, get in touch.

Although it was developed for Ukraine, BeamHeat can alleviate suffering in any environment where there are blackouts. With the strongest El Nino ever approaching the West Coast, we may find needs and hence opportunities for it closer to home, and we certainly do intend to market it globally. It's a fantastic innovation. It's patent pending, and it's yet another addition to our broadening portfolio of products based upon our core underlying technology. I encourage you to check it out. Go to our website, look at BeamHeat under products, or take a look at the press release that we just put out earlier this week.

Now to talk about the third quarter with particular focus on our financial performance during the quarter and what it means for our future. Lisa has covered this a little bit, but let's start with our revenues, which were up 15% over the same quarter prior year with a great deal of that contribution coming from our international expansion. In fact, European revenues were up 38% year-over-year. This is a validation of our strategy to diversify our sources of revenue both from a product portfolio point of view and also geographically. Further indication that our strategy of diversification is working is that fully 92% of our revenues in the third quarter came from nongovernmental entities.

Remember that previously, federal revenues in the United States have amounted to as much as 70% of our revenue, and when you add in State and Municipal, a good deal more than that. It's clear that the efforts that we've been making to reduce our reliance on single large customers like the U.S. federal government, which, of course, can be volatile when there are changes in administration, while increasing the contribution from commercial and other sources are working. But we all firmly believe that those federal revenues will return with the change of U.S. government priorities indicated by the midterms, the inevitability of the electrification of transportation, and an increased reliance upon innovative energy generation and storage, which Beam provides. When those revenues do come back, they will not displace the new international, commercial and enterprise revenues that we've created. No, those opportunities will stay with us, and all of the government opportunities will be additional. So, the growth of 15% is good, but the foundation from which it's coming, perhaps even more important.

Our gross margins also tell an excellent story. We reported 21.3% gross margins in the quarter, GAAP. And if you take out the noncash impacts to cost of goods sold, our margins were actually about 32%, and what that means is our cash gross margins are 32%. Clearly a significant improvement over previous periods, and this is due to improved product mix and our continued efforts to become more efficient and reduce the cost to produce our products but without ever reducing the quality or utility.

Looking at gross profit, if we remove onetime expenses and noncash items, we actually produced over $2 million of gross profit excluding those items. That 2 million plus is, of course, a direct cash contribution to the running of the business in the quarter. That becomes a very important metric when you look at it further and see that we burned less than 1.5 million of cash in each of the three quarters in 2026. That burn has been reduced from about 2 million a quarter in 2025. I feel compelled to say that I don't like that term burn. It's more accurate to say that we continue to invest in improving our business and that more of that investment was enabled by gross margins and reductions of cost of operations. All of this amounts to an improvement in revenues and a significant improvement in our gross profit, which has, of course, resulted in a much better position from the point of view of cash and cash burn if we must use that word.

Our operating expenses were impacted by several onetime costs, which will actually improve our financial position moving forward. For example, moving our manufacturing from San Diego, California to Yuma, Arizona will result in millions of dollars of cash savings moving forward. Now, it did result in some increased costs during the quarter because, of course, we had moving and relocation expenses, although the Beam team did a magnificent job of minimizing those costs. So, we really haven't seen the savings from it so much yet, but we did take on some extra costs. But the savings are coming, and they will be prolonged and significant. There were also some significant legal costs associated with it, and we had further legal costs driven by our attempted acquisition of ScoutDI, which I'll come back to in a minute. And we invested about $250,000 in R&D in the quarter, as well, which, of course, is how we managed to keep producing these fantastic new products.

And while these are onetime increases to operating costs, they are items which will contribute to long-term improvement in our financials. If you take those onetime costs out of our operating results to normalize them, you'll find that our operating costs were essentially flat with the same period prior year, yet our revenues increased by 15% and our gross profits increased much more dramatically than that to, as I said, by about 32%, excluding noncash items. You can clearly see that from an operating and economic point of view, the company continues to get better, growing revenues, improving margins, reducing operating expenses and reducing our cash burn. The net loss that you see us report again significantly impacted by noncash items. In fact, more than 50% of our net loss in the quarter was noncash. We had about 1.6 million in cash at 9/30, which is up from around 1 million at December 31st. We've always managed our business with a great deal of discipline around cash. Any of you who have been to our offices know that we do not pamper ourselves.

As I've often said before, if it does not make the product, make the product better, or sell the product, we simply do not invest in it. Some of that discipline around cash has led us to maintain relatively low cash balances, and I'm aware of the fact that that may have had a negative impact on our share price. I know that some people and even machines are looking around for companies with low cash balances and assuming, therefore, they're on the path to failure. But if you look at Beam Global's history, we've always operated on low cash balances, and it's been going on for long enough now that I think it's removed any doubt about whether or not we can survive with that philosophy. Having said that, recognizing that it's having a negative impact on our share price or

maybe it is, makes it important. We're considering steps to remove the perception that we're always close to running out of cash, and we'll continue to work on improving our economics across the board.

Now, speaking of the negative impact to our share price, I should take a moment to mention our terminated acquisition of ScoutDI, the European drone company. First, it's important to point out that our termination of the share price agreement prior to closing on the deal is in no way a reflection of ScoutDI as a company, their fantastic products, or their equally fantastic leadership team and team in general. On the contrary, I remain as impressed as ever by the products they have, the capabilities they brought to market, and especially by their very excellent team under the leadership of their CEO, Nicolai Husteli. The simple fact of the matter is that, during the process of negotiating the share purchase agreement and doing the due diligence work necessary to do a good acquisition, which is the only time we do, we experienced a precipitous drop in our share price. Microcaps in general across the board experienced the same kind of drops, but particularly relevant was that all of the drone company stocks also took very severe beatings during that period and are continuing to do so.

While I still believe that the integration of ScoutDI's business with Beam Global would have been an excellent operational fit -- after all, we make batteries and charging infrastructure for drones. We have contracts with the U.S. federal government including the military. ScoutDI's drone was Pentagon-approved conditioned upon U.S. manufacturing, and we are ideally positioned to manufacture the drone to the United States and Europe. All good reasons. And for all of those reasons and many others, I continue to believe that operationally, this is really a very good fit. I also believe that we crafted a fair and well-structured agreement with them. But in the end, it would not have been right to close on an acquisition at a time when our stock, but perhaps more importantly the stocks of all the publicly traded drone companies, were seeing precipitous drops in pricing.

We remain good friends with ScoutDI, and I remain hopeful that we'll be able to implement some of the operational plans that we had like possibly manufacturing for them in the U.S. and certainly selling their products across our global network, which makes a great deal of sense. Who knows? Sometime in the future under different circumstances, we might revisit. But for the moment, both ScoutDI and Beam Global will continue to focus on executing on our own businesses while remaining friends and doing whatever we can to support each other.

Turning back to our financial results for a moment. We had about 6 million of working capital, excluding noncash reserves at the end of the quarter. As I've explained before, working capital is a good metric in terms of looking at our health because we have a simple business. We convert inventory, work in progress and AR into cash in generally very short periods of time, and we get paid. The reduction in cash burn, improvement in gross profits, and reduction in operating costs make it easier than ever to chart our path to cash flow positive. Let me give you a couple of back-of-the-napkin calculations. In the third quarter of 2026, as we stated, we generated about 6.7 million in revenue. Removing the noncash items from our cost of goods sold, we spent about 4.5 million making those products, leaving adjusted gross profits of over 2 million. That's 32% gross margin, again, excluding noncash items, which really means the cash gross margin.

Our adjusted operating expenses, again, removing noncash items and onetime expenses, were about 3.7 million for an adjusted net or negative cash flow of 1.5 million. Now, we have capacity to increase our revenue significantly without materially increasing our capital or operating costs. Taking those same metrics and applying them to an increase in revenue, we can see that at around 11.5 million in revenue, we could generate positive cash flow. 11.5 million in revenue is

by no means a big lift for us. In fact, we've generated more than that amount of revenue in many quarters over the last five years.

So, positive cash flow around 11.5 million a quarter. We get to 15 million a quarter -- and again, there's no reason why we shouldn't do that. We've done it before prior to the reduction in our U.S. federal government revenue contributions. Then we start to produce a more material positive cash flow of around 1 million a quarter. At 22 million in revenue, which is around our previous highest quarter revenue previously with the same gross margin and the modest increases in our operating expenses, which will largely be driven by increases in sales commission because, as I said, we can increase our revenues without material capital or operating expense increases, then we will produce net income and cash flow of over 3 million in a quarter.

That will be equivalent of something like $0.60 a share EPS. Do the math on that EPS using an average S&P valuation. I certainly do not see any strong rational arguments for why we should not get back to some of our previous much healthier valuations based upon our fundamental metrics. If you consider the positive impact of our diversification of revenue opportunities geographically and from our increased product portfolio, our revenue growth over the same period as the prior year, our dramatically improved gross margins, and our cost-cutting measures, you can easily see how we're on track to cash flow.

We're a company producing very compelling products for the most compelling, current, and relevant opportunities facing the globe today with good financial discipline and metrics that clearly point towards positive cash flow without us exceeding any of our historic revenue records. I believe that we're creating the foundation for dramatic growth in multiple markets now in contrast to our previous meteoric rise in revenue, which was all derived from the U.S. From that, I also believe that we'll do even better than I just described through our geographic expansion and our ability to continue to bring new and compelling products to address the most relevant and current opportunities in the world today. Now, I'm a believer in the markets, and while I know that microcaps like ours have been very negatively impacted by macro trends in the broader markets, I equally believe that cycle will reverse. As long as we continue to improve our financial metrics, which we have every intention of doing, I believe that the market will reward us.

We also believe that we will see, if anything, an improvement in the U.S. government position on the electrification of transportation and the expansion of reliable, renewable, and innovative energy generation storage as the new Congress takes control starting in January of 2027. That combined with the global shift towards energy resiliency and a reduction in reliance on foreign sources of energy and extended supply chains should, we believe, provide positive tailwinds for our business and increase our revenues in the relatively modest ways that we need them to be increased in order to get that cash flow. I think it will increase a lot more than that, but we only need a modest increase to get to that cash flow. As we consider where this increase in revenues will come from, there are a couple of indicators which I think are important to point out.

First, and I'll come back to this, just looking at the sales we made during the third quarter, which contributed to that 15% year-over-year increase in revenues. And the second area that's worth addressing is the Middle East. Certainly, true that the opening of Beam Middle East hasn't turned out to be ideally timed as it's coincided with the war in the Gulf, which has had a negative impact on investment in the area. However, it's still a market with a tremendous amount of opportunity for Beam Global and our products. The Gulf region has committed to spending over 1 trillion on sustainable infrastructure with a heavy focus on renewable energy generation and storage and also in innovation and mobility. I've said this before. Our products are more or less tailor-made for

that market, and there's no indication that the trillion investment will go away. It's just being postponed while this war goes on.

While the war has been going on and investments has been subdued, we've not ceased our activities identifying opportunities and prospective customers. The reaction to our products has been universally positive, and we're confident that we can create opportunities that, once the war is over, will provide another very significant source of revenues and profits for Beam Global. What we've demonstrated by opening a new market in Europe in terms of the potential for revenue generation and growth we believe will be repeated in the Middle East as soon as things calm down there. But even without the Middle East, we've demonstrated in the third quarter that we can increase our revenues year-over-year through sales of our products into the markets in which we're already operating. Our EV ARC product continues to be popular as demonstrated by sales throughout the quarter to entities like City of Dallas, City of Long Beach, and notably to Native American communities where we believe actually there's a very much larger opportunity ahead of us.

A deployment in Boston in the quarter was to provide charging for an electric car sharing service. That's particularly relevant to us because it points to a future where car ownership will be increasingly replaced by sharing vehicles and most especially by autonomous vehicle services. This is an important opportunity for us because we have our patented autonomous wireless charging capability, which allows us to recharge autonomous vehicles without human intervention, something that nobody in the industry is yet doing but that I believe will be fundamental to the future of the success of autonomous vehicle services. That's yet another as yet unrealized opportunity for us, which I think will create significant growth and generate material revenues in the not-too-distant future.

During the third quarter, I signed agreements with prominent Gulf region entities like Masdar City, which we believe are laying the groundwork for future significant opportunities. Masdar is the region's preeminent sustainable city project, and there are clear needs for our autonomous vehicle charging as well as our other innovation and mobility products like BeamBike and BeamPatrol, and they're also very keen on BeamSpot. And actually, we're seeing a significant increase in interest in that product, as well.

In Europe, we further advanced our sponsorship-funded model for EV ARC deployments while also deploying increasing numbers of systems across the region. The results of those deployments have been stunning. For example, some systems deployed in the very popular tourist town of Bar exceeded everyone's expectations including our own with a 96.77% utilization rate and thousands of charging sessions. Leadership in Bar is taking notice, and we're continuing our discussions with them and others in the region for a much broader rollout.

At the same time in Europe, our energy, communications, transportation, and smart cities infrastructure business continues to grow with 4 million sales in a single quarter. And these sales were made to government and enterprise alike. For example, we're now supporting Lidl with smart city solutions for their retail and corporate properties. And our energy storage business continues to move in the right direction. Here again, we broke another record with over $500,000 of battery sales for drones and robotics in a single week. And the energy storage aspect of our business is core to everything that we do, and our team of engineers and scientists have created breakthrough after breakthrough.

In the last several months, we continue to manufacture batteries for a variety of highly demanding use cases including drones, mobility, materials rehandling, and even top secret weapon systems.

Two of our most prominent team members, Dr. Said Al-Hallaj and Head of Engineering, DJ Gilmore, were invited to Doha in Qatar during the third quarter to demonstrate a new technology that we've developed, which allows us to create battery systems with extraordinarily high charging and discharging rates. And those are based upon solutions we initially developed for weapon systems, but it turns out the same technology is absolutely essential for the effective running of future AI data centers.

So, the battery business is targeting the right opportunities with proprietary solutions, which we are patenting and which again are pointing at the most relevant and compelling opportunities currently at hand. Importantly, these are not merely concepts or vaporware or promises of some future advance. These are products which we're developing, manufacturing, and actually selling at the moment into markets which are doing nothing but signaling increasing demand. The technology advances that our teams across the globe made during the third quarter resulted in the issuance of new patents and also in us receiving awards for the unique and valuable nature of innovations. For example, we received a new patent for our smart batteries with thermal management, and our EV ARC product was named Connected Infrastructure Solution of the Year at GovTech Breakthrough Awards.

Continuing to innovate, win patents, and create new products based upon our core areas of expertise and technology differentiation is an important part of our ongoing strategy. We're creating exactly the sort of products that the world needs at the moment, and we're doing what it takes to protect our intellectual property. This is because we believe that, while we may sometimes be a little ahead of the curve or out of favor with certain temporary political leanings, the global appetite for solutions for energy generation and storage, innovation in mobility, and autonomy and intelligence and infrastructure is only accelerating as is our ability to address it.

Beam Global is a company which throughout the third quarter and indeed throughout 2026 has created and delivered multiple positive developments, continuing to make our company better in every way. Now, these positive developments have not been offset by an equal number of negative developments, but they have been offset by one, the fall in the value of our share price. I am, of course, acutely aware of that. I cannot say that I have the whole answer for why this is, although clearly, the impacts of inflation, increasing oil prices, increasing bond yields, economic uncertainty, and the wars exacerbated by the recent drop in AI stocks and other global uncertainties have had a profound impact on almost all micro caps and small caps.

Taking a Beam-specific view, it's certainly difficult to comprehend how with improving revenues, improving margins, greater product, and geographic reach, continued financial discipline and the macro directional inputs around energy infrastructure, mobility, autonomy, and intelligence, our share price should be behaving the way it is. Nevertheless, I and the rest of the team at Beam Global take responsibility for it and understand the key to success is to create great and differentiated products and sell them in ever-increasing volumes to great customers moving towards profitability. That's exactly what we're concentrating on, and that's exactly what we're doing.

And I have faith that the current cycle of macro headwinds for stocks like ours will come to an end as will the current negativity toward electrification of transportation and innovative energy sources in the United States. When that does happen, I'm certain that we will create the kind of value that our shareholders deserve. Until then, we keep our noses to the grindstone, we do our jobs, and we never rest from seeking opportunities to improve Beam Global. With that, I'll conclude my comments and return the call to the operator and take your questions. Thank you.

QUESTION AND ANSWER

Operator
Thank you. We will now begin the question-and-answer session. To ask a question, you may press star then one on your telephone keypad. If you are using a speaker phone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster. The first question today comes from Craig Irwin with ROTH Capital Partners. Please go ahead.

Desmond Wheatley
Hello, Craig. How are you?

Andrew
Hey, guys. It's actually Andrew [sp] on for Craig, Desmond. But thank you for taking the questions. So, first for me, you guys talked about in the prepared remarks, but I wanted to dig in a little bit more into gross margin. So, sequential dip in revenue, but you were able to expand the margins, which were great to see. Previously, you've talked about incremental margins from some products as high as 40% and kind of the adjusted gross margin for the business. I know you've said you believe this could be as high as 50% gross margin business. So, kind of as you guys scale from here, can you talk about the margin trajectory in the business and what's working well?

Desmond Wheatley
Yeah, without a doubt. So, unit economics remain very good and getting better. And as you can see, we did report GAAP gross margins of over 20%, but taking out the noncash stuff, 32%. So, we're clearly on that path of that trajectory to that 50% gross margin, which I have often stated as our goal. Certainly, the unit economics point towards that right now. So, the simple thing that solves for this is just more volume. I mean, we're going to continue to reduce the cost to produce the product. The move to Yuma will do that because we'll have less overhead allocations and actually just less expensive environment in which to produce the product. We also intend to further vertically integrate in Europe, in Yuma. We were not able to do that in San Diego. A great example of that is, in San Diego, we have historically always outsourced the coatings of our products, which is an expensive contribution, sandblasting and coating and powder coating and painting, very expensive contribution to our product. And of course, we've been outsourcing that and the margins from that.

In Europe, we don't do that. We in-source that, and the economics of the product are better in Europe as a result of that and other in-sourcing that we do because we're just better equipped in Europe. Well, this new facility in Yuma will give us the opportunity to add those capabilities in a way that we just could never have dreamed of doing in San Diego in a very cost-effective way. And so, those sorts of moves will have a pretty profound impact on reducing costs and actually improving our quality and our throughput, too, because we won't have to transport the product backwards and forwards.

So, look, we've got lots of opportunities to increase our margins. Furthermore, some of the stuff we're doing in the battery business now is so specialized. The technology is so good and, frankly, unique to us, and that's always been a strategy of ours. We're not trying to do commodity stuff. We want to do difficult things that other people can't do, and we want to margin that difficulty essentially. And we're starting to demonstrate that in some of the battery work that we're doing, as well.

In Europe, we're continuing to get better at what we do there, and we're getting more efficient. And we saw that with an increase in margins in Europe as well as an increase in year-over-year revenues there. So, there's lots of great opportunities yet to continue to improve our gross margins and, therefore, gross profits. And it would be -- these would be empty words if it wasn't for the fact that we were doing it and actually producing the numbers, but we are producing them.

I still think we've got a long way to go, and I guess I still maintain that 50% is a reasonable growth for us to have once we get back to the volumes that allow us to absorb the overhead allocations that we have to currently burden a lower number of products with. Once we get back to 2023 levels of product, for example, which we're very confident that we will, A, because just the general business is growing, but also because, as I say, we believe we'll see a return from federal and other U.S. governments to the acquisition of electric vehicles and infrastructure and renewable energy that's required to power them. For all of these reasons, we think we'll come back to those volumes, and therefore, the overhead burdens will be reduced per product and have the impact of further increasing our gross margins. So, lots of opportunities there.

Andrew
Great. I appreciate the color there. And second one for me, you kind of touched on it a little bit, but can you speak a little bit more to the European growth? Some really nice growth in Serbia this quarter. Just kind of where is the growth coming from? Is it more of the traditional street lighting infrastructure products, or are you seeing increased demand for some of your newer products?

Desmond Wheatley
Across the board. Across the board, which is very encouraging. And again, it's -- so, we have introduced successfully the newer products. We're manufacturing them there successfully. We're manufacturing them with better economics, and we're starting to see a pickup in sales. The sales cycle definitely is longer in Europe for these types of things because most of it goes through tender processes, and the tender process takes quite a long time in Europe. But the good news now is we have a lot of our new innovation in mobility products in tenders now. So, those processes are grinding away. It's a bit like making wine. You've got to plant the vines and wait for them to mature. But once they do, you get that cycle of wine coming out of them regularly, and we think we're getting close to that starting to happen in Europe.

So, the growth has been across the board, but we all believe that a great promise for really material and significant growth are the newer products that we're bringing in. But we're still going to go after the legacy products. And by the way, continue to improve them and add intelligence to them. Certainly, a lot of what I'm doing in Ukraine at the moment is about the rebuilding of Ukraine. There's a massive amount of infrastructure that's been destroyed, and a lot of it is the sort of stuff that we make, transmission infrastructure, communication infrastructure, even street lighting, but more and more intelligent streetlights, which, again, we can margin more and be more competitive with. So, it's still a good business for us.

Andrew
Great. Really appreciate the detail in that. Thank you for taking my questions.

Desmond Wheatley
Thank you.

Operator
Again, if you have a question, please press star then one. The next question comes from Tate Sullivan with Maxim Group. Please go ahead.

Tate Sullivan
Hi. Thank you --

Desmond Wheatley
Hi, Tate. How are you?

Tate Sullivan
Hi. Good, Desmond. Thanks. On BeamHeat, I mean, how long ago did you have that concept or the company start to develop that concept for the product, if you can share, please?

Desmond Wheatley
It's been a quick development process, and it really has been heavily informed by the meetings that we had prior to coming to Ukraine. I mean, I think all of us know that what's going on in Ukraine, but it's not until you talk to people and figure out that they actually are sitting in the dark, freezing their asses off without any hot food or light that you realize. And so, what we figured out was that what the market needed was not another portable battery product. There are a lot of those out there that you can plug AC devices into. They're complex. They have inverters, expensive, and so you get less storage for the same amount of money. What the market really needed was something that just addressed those four vital things, heat, cooking, light, and charging devices. So, we were able to develop an all-DC system, and I can tell you what I mean. If I had a container load of them sitting here right now, they'd all be gone by tomorrow morning.

Tate Sullivan
And then separately, inventory management for -- and I know you've talked before about being very efficient out of the Serbia facility, but do you think you'll start to rebuild inventory from here? Or are you in a sort of a faster inventory turn situation going forward based on the backlog mix?

Desmond Wheatley
Yes. I think certainly for products like BeamHeat that we were just talking about, we're going to want to maintain a lot of inventory on that because when people want it, they want it very quickly. And that shouldn't be majorly capital intensive to do that. But beyond that, I've always maintained that I'd like to run a zero backlog business, and that means turn pipeline into backlog into revenue before anybody ever hears a backlog report. And so, what that really means is not sitting on a lot of inventory either. We don't like having money tied up in inventory. But at the same time, we want to be able to respond to orders as quickly as possible. So, it's just going to be a question of rightsizing inventory for the growth that we anticipate and make sure that we can get product out to people as quickly as they want to but without having a lot of capital tied up in it.

Tate Sullivan
Okay. Thank you, Desmond. Have safe travels.

Desmond Wheatley
Thank you.

CONCLUSION

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

Desmond Wheatley
Okay. Thanks, everybody, for your time and for your questions and for your ongoing support of this fantastic company. Coming here to Ukraine, spending time here, realizing how very, very relevant our products are in this environment and realizing that that extends actually just across the globe at the moment, everything that we're seeing globally tells us that the types of products that we are creating and producing and selling could not be more relevant, could not be more current than they are today. The share price is shocking to me, and I will not rest until we get it back to where it was before. And frankly, the only way that we can impact that -- because we cannot impact the macro conditions around that, but what we can do is we can continue, as I said earlier, to make great products, sell them to great customers, and do that in ever-increasing volumes while continuing to chase profitability. That's what we're all doing, and nobody is resting. So, again, thanks for your support. Thanks for being engaged, and I'll say hello to you all when I get back to the United States.

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