

AIRJ Q3 2024 Earnings Call Transcript



TRANSCRIPT

Q3 2024 Earnings Call

AirJoule Technologies Corporation (Nasdaq: AIRJ)

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Pat Eilers, Executive Chairman

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Jeffrey Campbell, Seaport Research Partners

Pavel Molchanov, Raymond James

Sean Milligan, Janney Montgomery Scott

TRANSCRIPT

Operator

Greetings and welcome to the AirJoule Technologies Third Quarter 2024 Earnings Conference Call. At this time, all participants are in a listen. Only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star zero on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce Tom Divine, VP of Investor Relations and Finance. Thank you. You may begin.

Tom Divine

Thank you, and thanks to everyone for joining us this afternoon on the Company's third quarter earnings call. Speaking today are Matt Jore, Chief Executive Officer; Pat Eilers, Executive Chairman; Bryan Barton, Chief Commercialization Officer; and Stephen Pang, Chief Financial Officer. During this call, we'll be referring to a presentation which is available on the webcast platform and on the investor section of our website.

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I would like to note that many of the comments during the prepared remarks and during the Q&A section are forward-looking statements that involve risk and uncertainties that could affect our actual results and plans. Many of these risks are beyond our control and are discussed in more detail in the risk factors and the forward-looking statements sections of our filings with the SEC, including our most recent registration statement on Form S-1 and quarterly report on Form 10-Q. Although we believe the expectations expressed are based on reasonable assumptions, they are not guarantees of future performance, and actual results or developments may differ materially.

And now, I'll turn it over to Matt Jore.

Matt Jore

Thanks Tom. Good afternoon, and thank you to everyone on the call for tuning in today. Before we dive into our recent developments, I want to take a moment to address an exciting update. Today, we announced that we changed our corporate name from Montana Technologies Corporation to AirJoule Technologies Corporation to better reflect the brand name of our transformational water harvesting technology – AirJoule® and its value as represented in our AIRJ stock ticker. Additionally, we want our identity to more accurately represent the innovative solutions we're bringing to solve challenges related to water and humidity. Our new corporate name provides a greater alignment between our brand and the AirJoule technology driving our vision forward, and it reflects our commitment to deploying our technology to address some of the world's most urgent water needs. Lastly, we believe this change will enhance the Company's visibility and create a stronger connection with customers, partners, and investors who share our vision for a water-resilient future.

Water resiliency and water scarcity – these are phrases that seem to be in the headlines more frequently as water becomes an increasingly scarce resource around the world. Over the past six months, we've had as much attention paid to our pure water output as to our dehumidified air output. Data centers, for example, are looking at AirJoule® as a solution to the increasing challenges they face to even get permitted due to water consumption. At scale, our goal is to make data centers water positive. We've also learned just how valuable our pure water output is to so many of our domestic industries...think semiconductor, pharmaceutical, food and beverage, and many others...because the water AirJoule® harvests from air is pure, distilled water.

And water challenges are even greater around the world. The Global Commission on the Economics of Water recently released one of the most comprehensive reports on global water hydrology that I've ever seen. They estimate that increasing water scarcity and lack of access to clean water could reduce national GDPs by as much as 15% by 2050, with low-income countries bearing the brunt of that impact. The global challenge is clear, and we're at a pivotal point where innovation in water is essential.

At AirJoule Technologies, along with our very important JV partner, GE Vernova, we are focused on commercializing our cutting-edge AirJoule® system to cost-effectively tap into the world's largest freshwater aquifer - the atmosphere - to solve the challenge of water scarcity. Throughout this year, we have been refining the AirJoule® system and testing in various conditions and locations. As we head into 2025, we are very excited to begin delivering our first AirJoule® units for atmospheric water harvesting and industrial dehumidification, which we expect to commence mid-year. These

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units will allow us and our customers to achieve the long-desired ability to produce low-cost pure distilled water from air.

Harvesting water from air is a natural precursor to managing humidity in industrial dehumidification and air conditioning. Scaling our AirJoule® technology in water harvesting applications enables us to reduce costs, demonstrate reliability, and drive down our energetics to less than 200 watt-hours per liter...critical for success in the mature air conditioning industry.

Our water harvesting initiatives are enhancing our long-term goal for AirJoule®-enabled air conditioning to lower the energy cost of humidity control, in collaboration with Carrier Corporation, our partner in the global HVAC arena. Carrier's Chief Strategy Officer Ajay Agrawal serves on our Board of Directors, and this provides us with a unique and broad insight into the requirements to meet the fast-growing demand for air conditioning around the world...in particular data center cooling and water needs.

In the third quarter, we made tremendous progress with respect to customer engagement for water applications and on the operations side of things, which Bryan will cover in a few minutes. He's put together a strong and experienced operations and engineering team, and the facility in Newark, Delaware is ramping aggressively. Our whole team was there last week for our quarterly board meeting, so everyone was able to see the facility in person and meet the new team members.

Now, I'd like to turn it over to Pat, who's going to talk about our recent trip to Dubai for the WETEX conference and some of the strong commercial traction we're getting in that part of the world.

Pat Eilers

Thanks Matt. In early October, Matt and I attended the Water, Energy, Technology, and Environment Exhibition, or WETEX conference in Dubai. WETEX is hosted by the Dubai Energy and Water Authority, which is the regulator for those industries in the UAE, and it's well attended by energy, infrastructure, and technology companies from across the region. In order to properly demonstrate the AirJoule® system, we took one of our units over there and had it running at our exhibition booth for three days, producing distilled water from air.

Ramdas Rao, the president of our international office in the UAE, did a great job of facilitating meetings with government officials and potential customers while we were in town. Water security is very top of mind in the UAE, and we saw tremendous interest in AirJoule® for water generation, industrial dehumidification, and water recovery. Matt framed up our strategy relating to deploying atmospheric water harvesting systems, and we see significant opportunities in the UAE. Right now, the UAE is highly dependent on desalination for much of their water supply. However, most of the population relies on bottled water for drinking purposes, not municipal water from a faucet. So AirJoule® can play a part in improving the security of their water supply through distributed atmospheric water harvesting.

We also had a really interesting meeting with the Dubai Future Foundation, which is a government initiative led by the UAE Prime Minister focused on driving innovation and shaping the future of Dubai through advanced technology, strategic foresight, cutting-edge research, and forward-thinking policy. In many areas, it's analogous to the United States National Laboratories. We are

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actioning some interesting ways that we can work with the Dubai Future Foundation to advance the deployment of AirJoule® in support of water security and sustainability initiatives in the UAE.

As I said on the last earnings call, I see the UAE as a key launch pad for our future international growth, and I look forward to providing more updates on our activities and AirJoule®'s success led by Ramdas in the coming quarters.

And now, let me turn it over to Bryan for an update on our commercial and operations activities.

Bryan Barton

Thanks Pat. As Matt mentioned earlier, it's been an exciting quarter for us with respect to operations and engineering. We've significantly expanded the team, bringing on critical skillsets in engineering and supply chain. We're also making tremendous progress in building out our facility in Newark, Delaware, which houses our product development, applications engineering, and low volume coating and manufacturing operations. We've also started assembling and optimizing our preproduction units for testing at the Newark facility.

Let me take a moment to talk about our progress on AirJoule®'s performance, which is illustrated on slide 6. Compared to desiccant-based systems, which are the current state-of-the-art incumbent technology for many water harvesting and industrial dehumidification systems, AirJoule® uses significantly less energy. As reflected in the middle column, AirJoule® is more than twice as efficient as desiccant systems on a watt-hour per liter basis. Further, AirJoule® harvests pure distilled water, whereas conventional desiccant systems simply vent the humid air into the atmosphere. Our superior efficiency is driven by our revolutionary sorption process that allows us to utilize internal heat from the system, eliminating the need for external heat. With its current performance, AirJoule® has a large total addressable market in the billions. That includes atmospheric water harvesting and industrial dehumidification, and these are two markets where we have very strong traction from our customers.

However, what is really exciting, is that we have very clear line of sight to reducing our energy usage to below 200 watt-hours per liter through multiple levers. For one, we're continuing to optimize certain components of the system, including the vacuum swing compressor, which will reduce the external power requirements. We are also finding that many of our customers, including data centers, have large amounts of waste heat and cooling available, which when incorporated into our process can greatly reduce our external power requirements and improve efficiency. Lastly, in conjunction with our joint venture partner GE Vernova, we're developing next-generation sorbent materials which offer the potential for significantly higher water uptake and improved energetics. As we drive down our energetics to below 200 watt-hours per liter, we estimate the TAM will expand to approximately \$450 billion, which includes atmospheric water harvesting in lower humidity environments, as well as the integration of AirJoule® into HVAC systems for humidity control.

On the commercial front, we're continuing to engage with potential customers, partners, and other organizations that are interested in our water harvesting and dehumidification technology. We recently joined the Southwest Sustainability Innovation Engine, which is a collaboration between the National Science Foundation and Arizona State University, whose mission is to transform water security, renewable energy, and net carbon emissions through sustainably-led innovation. Their

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strategies include funding pilot projects for new technologies and connecting innovations like AirJoule® to industrial partners.

On slide 7, we've laid out our progress so far on customer engagement. Going forward, we'll be updating this slide on a quarterly basis to show the expansion of our list of customers and how we're progressing with each one. We're able to provide optimal bespoke solutions for our customers, and every solution can take on its own unique path to commercialization. We believe this highlights the flexibility of our AirJoule® technology to work across multiple industries and provide our customers with a superior offering unrivaled by anything currently in the market.

Two of the exciting projects we're working on are with Tier 1 food and beverage manufacturing companies. For one of them, they want to use AirJoule® to recapture water from inside their humid manufacturing facilities and reuse it in their processes. At Newark, we're running an AirJoule® unit and collecting data to demonstrate the efficacy of this solution for the customer. For the other food and beverage manufacturer, they're currently using a state-of-the-art desiccant system for dehumidification. As we discussed on the prior slide, AirJoule® is much more efficient than existing desiccant systems, which translates into lower energy usage and significant cost savings. Right now, we're working with their engineering team to prepare a white paper analysis demonstrating the ability for AirJoule® to deliver significant energy savings.

The next row on this list is the Department of Defense. We recently completed some field testing and validation trials for the AIR2WATER program in conjunction with GE Vernova. And just last week, we presented the AirJoule® system at Thunderstorm 24-4, which is a Department of Defense event aimed at advancing military capabilities for operating in challenging or remote environments. This particular event, which was organized by the Office of the Under Secretary of Defense for Research and Engineering, focused on Expeditionary Operations and tested cutting-edge solutions to enhance mobility, communication, and logistical support for the military. There were many senior leaders from various branches of the US military in attendance, and our AirJoule® technology was very well received. We're excited about the opportunities we have to work with the DOD, and we're evaluating a few options for pilot programs with different military units in 2025.

In August, we announced our MOU with TenX Investments in the UAE to explore the deployment of AirJoule® to support water security. TenX helped us put together our exhibition booth at the WETEX conference that Matt and Pat attended, and they are facilitating extensive discussions with potential customers in the UAE.

We also announced our MOUs with Climate Impact Corporation and Clairity during the third quarter. Climate Impact Corporation is developing a solar-powered hydrogen production facility in the Australian desert, and they need to use AirJoule® to generate water for electrolysis.

Clairity is a US-based company that has developed a new method of direct air capture for carbon dioxide. The idea here is that we could provide them with a standalone AirJoule® unit that would deliver dehumidified air into their system. For both CIC and Clairity, we're working towards a demonstration project to show that AirJoule® is the right solution for their respective needs.

Lastly, we've talked extensively about our relationship with Carrier, who is not only an investor in AirJoule Technologies, but will be our commercialization partner for the HVAC sector. We are

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heavily engaged with the engineers at Carrier, and our conversations are directed towards launching a product in the HVAC space. We're currently going through the process of spec-ing out that product.

As you can see, end-market demand pull is evident, and we have been generating a lot of traction from customers for a variety of AirJoule® applications. What's not reflected here, but where we're heavily engaged in several discussions, is on the data center solutions front. AirJoule® is well-positioned to improve water sustainability for data centers, which consume millions of gallons of water per year and increasingly being built in water-stressed parts of the world (thinking of West Texas or Phoenix).

With that, I'll turn it over to Stephen for the financial update.

Stephen Pang

Thanks Bryan. On slide 8, we've included our financial results for the quarter. In addition to showing the results for AirJoule Technologies, we've included some additional detail on the expenses incurred at the joint venture level. As a reminder, this joint venture with GE Vernova is accounted for at AirJoule Technologies under the equity method, which is why you see the line on our income statement called "Equity loss from investment in AirJoule JV" for this quarter. But in the charts at the bottom, you can see that there is significant activity happening at the joint venture level, primarily for R&D and product development as Bryan described.

In the third quarter, AirJoule Technologies had \$4.3 million of gross operating expenses, which is in line with the prior quarter and is reflective of our current cash burn rate. In early November, we signed a new statement of work with the joint venture, which outlines certain administrative, R&D, and materials expenses that were incurred by AirJoule Technologies and are now reimbursed by the joint venture going forward. Since the formation of the joint venture, our team has been providing many of the financial, legal and additional engineering expertise to the joint venture, and this agreement memorializes that relationship. Now that the core engineering team has been established at the joint venture, we anticipate this statement of work to scale down modestly going forward, but we will continue to lead all of the financial and legal functions at the joint venture level. For the quarter, this translates to a \$2.0 million expense reimbursement accrued in Q3, and there will be an additional \$1.2 million of expenses under the statement of work in the fourth quarter. In 2025, we anticipate that the total amount expensed to the joint venture under the statement of work will be approximately \$2.8 million.

We had \$36.1 million of other income, net for the quarter, which was primarily driven by a non-cash gain in the fair value of our earnout and subject vesting share liabilities. As you may recall, as part of the business combination with XPDB, these liabilities relate to a 5-year earn-out for certain operational milestones that are to be achieved. The reduction in the value of the potential earn-out liability this quarter was mainly attributed to the decline in our stock price. As a result, our net income for the quarter was \$35 million.

We ended the third quarter with \$30.7 million of cash on the balance sheet, which does not include an additional \$7.3 million of cash at the joint venture level, so total cash in the system is approximately \$37.9 million. This is down from \$35 million at AirJoule Technologies and \$10 million

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at the joint venture at the end of the second quarter, for a total of \$45 million at the time. I'll reiterate what I've said on our last two earnings calls, that we have enough cash and liquidity to support our operations and capital plan for our commercialization efforts.

Now I'll turn it back to Tom for the Q&A portion of our call.

Tom Divine

Operator, we're now ready to take questions.

Operator

Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment please, while we poll for your questions. Our first questions come from the line of Pavel Molchanov with Raymond James. Please proceed with your questions.

Pavel Molchanov (Raymond James)

Thanks for taking the question. You talked a lot about water scarcity and your solutions for that, of course, we also see a lot of headlines these days about problems with water quality, PFAS and things of that sort. Can you talk about AirJoule® role as kind of a derivative on these water contamination and emerging contaminants issues?

Matt Jore

I'd like to turn it over to Bryan here in a bit because he and his team have done a great job over the last six months of identifying these unbelievable opportunities in water. Regarding the PFAS issue, I read a statistic recently about the breadth of that problem. It's estimated that 50% of our drinking water in the United States is infected with PFAS. So it's a real problem. And the beautiful thing about what AirJoule®'s output is, and this is why we're getting so much interest, is we have distilled PFAS free pure water. Bryan, you have anything to add to that?

Bryan Barton

Yeah. Thanks for the great question. One of the unique attributes of the technology that AirJoule® has is that our sorbent binds specifically to the water molecule. And then when we capture that through our vacuum distillation process, we're effectively secondarily distilling. So we capture just water and then collect just water through our vacuum swing desorption process. This leads to us creating purified distilled water from the air. So no contaminants. So in all the work that we've done so far, no metals, no PFAS, no carbon contaminants or pharmaceuticals, basically the contaminant issue is resolved. In fact, from a drinking perspective, we may consider adding salts back in like magnesium for flavor and for nutrition.

Matt Jore

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I knew you'd have a lot more to say about that. I should have said you would. But Bryan, also, the thing that we're discovering is the distilled water for industries like semiconductor and food and beverage is just a huge opportunity for us.

Bryan Barton

Yeah, that's right. There's a number of customers that we're talking to that take a lot of value on the purified water and the need for purified water. The CIC engagement on the hydrogen electrolysis in Australia, in order to do that effectively, you need deionized water, you need purified water. And this is a theme across many of our customer engagements that, beyond just creating water, they need purified water.

Pavel Molchanov (Raymond James)

Appreciate that color. You have a lot of projects, I should say, customer projects that you are pursuing. We've seen a lot of infrastructure developments getting delayed for any one of many reasons, both domestic and international. When you talk to your customers about their timetables, are they pretty firm in terms of financing, permitting, any other issues that might extend those timetables?

Matt Jore

I'll let you take that one, Bryan.

Bryan Barton

Yeah, if I understand the question correctly, there's a couple of different things related to permitting and timing. One, a lot of our customers face permitting issues to do the projects that they want to do, to secure the water that they need for their operations. And so we actually see a lot of interest from our customers with respect to accelerating their timelines by having a distributed water generator such as AirJoule® on their site, providing the distilled water from the air. And so that's really the leading, I think, context with respect to permitting. And on that vein, we generally feel the pressure to deploy faster solutions to these customers.

Pavel Molchanov (Raymond James)

Yeah, that's helpful. And then last thing, you mentioned that your current cash balance will be enough to get to 2026. Does that include both OpEx and CapEx at the manufacturing site? So everything is included in that cash burn fairway.

Stephen Pang

Yeah, this is Stephen here. I can take that question. Yes, it currently accounts for our anticipation for both OpEx and CapEx at the joint venture level. We'll be initially deploying a mini pilot line where our current cash budget has forecasted expenditures related to that spend. To the extent that we move further into high volume manufacturing down the road, that would likely require incremental capital. But in terms of getting the product to market in the manner that we have forecasted to get to commercialization, we have sufficient capital to accomplish that.

Pavel Molchanov (Raymond James)

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Got it. Thank you very much.

Matt Jore

Thanks, Pavel.

Operator

Our next questions come from the line of Sean Milligan with Janney Montgomery Scott. Please proceed with your questions.

Sean Milligan (Janney Montgomery Scott)

Hey everyone. Thank you for taking the questions. I was hoping you could talk about sort of the refined go to market strategy, particularly on the water harvesting and dehumidification side and the slide where you list the customers, there's a number of customers that you're engaging with. And I was kind of curious about the timelines from initial engagement to maybe first commercial orders, what you're thinking there and what are the critical milestones that you need to hit?

Matt Jore

Well, before, Bryan, you've got tip of the spear here. But before you do comment, I'll say this, Sean, a year ago I was out talking about the impact on air conditioning that we'd have because of the super efficiency of our dehumidification system. And I was thinking of water more as a byproduct output. And it turns out that we have such a value proposition in the water, particularly because it's distilled, in so many industries, that we've taken the approach that that's a fresh market. It's going to be a huge growth market and it will allow us to take that step in parallel to bring cost down at scale and prove out reliability, which is really a requirement for the air conditioning market. That's a very, very mature 120 year old market. So much more cost sensitive. The value of the water, especially since it's distilled, gives this unique opportunity for us, and not just in the in the private markets, but in the military as well. Bryan, I'm sure you have a lot to add on that.

Bryan Barton

Yeah, thanks for the question. I think on the details of the go to market strategy, really, we're looking and we're gaining a lot of traction with these customers that want to see the technology deployed at their sites. Right, so what 2025 will look like is getting our pre-production units into our customer's hands at their facilities, demonstrating the value proposition for these customers, right? And that that's kind of a general theme across data center customers and the food and beverage customers, the industrial high purity water on the water side. And then we also have a number of customers that are really interested in the industrial dehumidification side of the equation, right? This technology is over two times more efficient than desiccant dehumidification. So getting units at those sites and demonstrating that type of value is really our focus for 2025. That will quickly be followed by the pull for higher volumes at those at those customer sites.

Matt Jore

And also, Sean, I would add to what Bryan said about the guidance that we are so fortunate to get from our friends at Carrier, led by Ajay Agrawal, our board member from Carrier. The three themes are you prove the technology, you bring the cost down, and you prove reliability, and then you've got

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that \$450 billion market to play with in the air conditioning market. And we're diligently following that guidance. And we're so lucky to have Carrier as a partner because we're getting the breadth and insight that you need to really succeed long term in the air conditioning market.

Sean Milligan (Janney Montgomery Scott)

That's really helpful. And then I just wanted to confirm on the water and the dehumidification side, is GEV the partner there to bring that to market?

Matt Jore

Well, I mean, GE Vernova is a critical joint venture partner with us. A 50/50 joint venture partner. And as Bryan said earlier, there's a very, very special advanced sorbent that will be introduced this coming year that we are developing in our partnership with GE. As our joint venture partner, the answer is yes. And you know, we think that there's such synergy in many, many of the areas that GE Vernova provides solutions for that, that partnership will just advance and advance and advance. So the answer, I think short term and long term, is yes.

Sean Milligan (Janney Montgomery Scott)

Okay. Yeah, I was just thinking about the power of having that company as a joint venture partner, as you're trying to advance this kind of new technology into those markets, I would think.

Matt Jore

Absolutely. Absolutely. A fortuitous partnership for us. We are very, very pleased with the way this is gelling. And Bryan and his team work closely with the lead research and development person there who's doing these sorbent work, Dave More, they work hand in hand and you know, we enjoy the support of Scott Strazik and the team there. We're happy to have this joint venture with them. So yeah, I don't know how to make it any more enthusiast to give an answer than that.

Sean Milligan (Janney Montgomery Scott)

That's great. And then just one more if I can, as you progress on the Delaware facility and kind of getting initial commercial volumes going, what risks do you have around that, like in terms of equipment, processes, is any of that novel or is that kind of all time-tested and you don't really see much risk to the ramp up of that facility? Just trying to understand maybe any kind of risks that may be related to that in the next 9 to 12 months.

Matt Jore

Bryan can speak to the larger operation because he's leading it and the commercialization effort as well. I noticed in our in our written report here we didn't mention our very important relationship with BASF. The risk has been largely mitigated with our relationship there because they've helped us scale up materials over the last two and a half years and drive the cost down of these materials. So I think from the material standpoint and the base product, which is the guts of the machine, the contactors, the metal organic framework and sorbent coated contactors, that risk has been largely mitigated. Now it's in Bryan's hands to take those steps. And you heard Stephen say earlier, we have a small volume line going into place there. Bryan and his team have done a great job of sourcing out already slightly-used product that we don't have to spend ten times and wait sixteen months to be

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delivered for new products. So they've been able to source some equipment that has really helped us accelerate that process. Bryan?

Bryan Barton

Yeah, that's right. We're really focused on speed and getting things done correctly at the same time, right? So some of the big risks that we have at the moment, I mean, they're not actually big risks because done such a great job mitigating them. But just to speak at a high level from a business perspective, the new components in this technology are one, the sorbent - Matt talked about this and the criticality of our partnership with BASF and how they've been able to provide that sorbent at scale at a really attractive price point as well, which is critical to the underlying economics of the technology. The second step from the sorbent is applying that sorbent to what we call a contactor, which is effectively like a radiator on the front of your car. We have to put that sorbent on this, on this radiator to help take up water from the process, airflow from the atmosphere. So this sorbent-coated contactor is something that we are focused on, both with partnerships as well as internally. We have a lot of capability within the company to manufacture this sorbent-coated contactor and initially we can deliver the volumes of product that we need with our own capabilities in-house and then move toward scaling that at a significant volume in the future. The third technical risk is some of our components, our proprietary custom components, specifically the vacuum swing compressor. This component is really important that we get it right and get a partner to help provide that component. And we've spent the last quarter really making sure that we have the right partners at the table in our supply chain to ensure the delivery and the performance and the speed that we need to have a viable business to scale that up with the quality and performance that we need.

Matt Jore

Yeah, and the GE Vernova team has provided some great guidance with respect to compressors and designs. So again, we really enjoy that relationship. That's their forte, spinny things.

Bryan Barton

Yeah. And then you know after those components come together, really our system is, it's an assembly of systems, it's a system of systems, right? And so once you think about what's in the box, right, the optimization part of that is really just collecting the data to make sure how it performs in different environments and training our customers on their usage and finding the right value proposition to really, you know, lead the go to market strategy and assembly, right? Assembly of these systems, we don't see as a significant risk. It's really around the subsystems components and getting them all working together.

Sean Milligan (Janney Montgomery Scott)

That's great. Thank you for the time today.

Matt Jore

Thanks Sean.

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Thank you. Our next questions come from the line of Jeffrey Campbell with Seaport Research Partners. Please proceed with your questions.

Jeffrey Campbell (Seaport Research Partners)

Hi, Matt. Hi Stephen and everybody, it's a really good call. You know, we've already kind of gone deep in the weeds on a lot of stuff. So I wanted to really focus on something that you talked about in your earlier remarks, which was the UAE. Desalination is a big part of their water content and they continue to invest in that technology. And you were mentioning how interested they are in the AirJoule® and that desalinated water there is not going into faucets and that the AirJoule® might. What's a little confusing about that is something you said later, which would be more, well what I would have thought, which is that the purity of your water would be desired by a lot of different industrial applications. So let's try to pull this together. I'm assuming the reason people aren't getting the desalinated water out of their faucets because the water is going someplace else and it must be the industry, maybe [inaudible] or whatever. But can you help us put all that together? Because I would think if your water is being more high value and where would that be the best place to land?

Bryan Barton

Yeah, let me take that one, Jeffrey. Thanks for the question. Really, when you think about industrial water in a very broad perspective, you're right on point... the needs for water quality are generally speaking...low. However, there are industries that actually need highly purified water. The semiconductor industry is one, the pharmaceutical industry is the other. There's emerging renewable energy, hydrogen electrolysis types of customers that need purified water as well. So that's really our focus, is not to just find industrial partners, but partners or customers that really recognize the value and need to have purified water.

Jeffrey Campbell (Seaport Research Partners)

Okay. So then when, let's solve that up. When you're seeing all this interest in AirJoule® in the UAE and I don't doubt that's the case, are they giving you some kind of indications of where they want the AirJoule® water to go? And maybe they see, we know that a number of economies in the Middle East are looking to diversify away from oil and gas, so hydrogen is obviously one, a big area such as Neom and Saudi Arabia. So just wondering if you're getting any kind of indication of where they want your water to go and how that would enable them in some way?

Bryan Barton

Yeah, certainly there are some industries that are relevant. I think more particularly in the UAE, it's around drinking water and high purified drinking water for the strategic residents of UAE, specifically thinking about places like resorts and larger facilities that need to have purified drinking water for the occupants of those buildings. And so it's that type of engagement at the moment. But we fully anticipate, and have had some initial conversations actually across a wide variety of industrial sectors within the UAE, because thematically water is of great concern in the UAE and it's kind of a unique part of the world. They have very high temperatures. They also have high humidities, but very little precipitation. And so, in general, water is of great concern. So, you know, at a high level is that and more particularly around drinking and industries that need purified water.

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Matt Jore

Well, and Jeffrey, I've been there three times now to the Dubai and Abu Dhabi region over the last year and a half. And I've been to China a lot. And I remember the days when you would not drink out of the faucet in China ever. And I didn't realize that was the case in the UAE. I don't I don't know if it was as bad as it was years ago in China, but I what I was amazed about is meeting with all the government officials and sovereign folks over there. This is a huge problem. Desalination cannot continue to be their only source. They're destroying the Gulf. The brine return is just not efficable. It's a huge problem. Some of the folks I talked to over there think we have a five year term before something disastrous is going to occur. And they're doing everything they can to try to store water, refresh it and their district cooling and heating systems are really intriguing. As Bryan said earlier, we can definitely tap into that whole cycle and not only provide water, but reduce our energetics by looping that heating and cooling cycle that's in those district cooling systems to drive our energetic below even 100 watt hours per liter by our projections. And so it's a major, major area and a major problem. It's so weird to think about it. You got this super heat and there's super humidity and the darn stuff doesn't come out of the sky. They don't get the precipitation. It's just the geology, I guess, in the region. Same in India, same in the global south.

Bryan Barton

Yeah. The other thing I comment on that, Matt, is you have a really good point about the desal plants and their high salinity waste stream that goes back into the Gulf there. But these plants also take a long time to get permitted and built and, you know, typically cost in the billions of dollars. And so one of the benefits of AirJoule®, right, is, yes, we create distilled, highly purified water but in a distributed fashion. I can put smaller to medium size AirJoule® plants across the region and generate water locally where it's needed and there's no waste stream.

Jeffrey Campbell (Seaport Research Partners)

Yeah. No, I was just going to say, I think, you know, one thing that we're all kind of trying to think about as this evolves, you know, what sort of cost competition are you facing? You know, so, for example, in the UAE, you're competing against bottled water. Well, then that creates a lower threshold for you to be economic and say, you know, if you were competing against some kind of massive stream of water, that was potable.

Matt Jore

Yeah. Sorry to interrupt you. I will tell you, at the WETEX show, there's a company called, they call themselves now Ma Waha, which means water from air. It used to be WaterGen, they're a DX, you know, direct exchange refrigerant-based system. So many people have tried to do that. And that was the only one that I saw in all of the show over there. But they're doing it. They're selling product for 50, 60, \$70,000, you know, a 900 liter a day product, that's their peak. And they're not even close to the energetics that we're at. And so, and they can't. It's going to be a growth problem, but I see growth in their future right alongside us. We'll probably end up being involved in selling them our technology so that they can get rid of their DX systems. But the point is, even at their higher energetics, they're selling product right now. That's how high the demand for water is. And they're not producing distilled water. They're condensing it on the outside of their evaporator. But it's you

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know, it's definitely more of a demand now than over the last 20 years that companies like WaterGen have been trying to deploy, and we've got a really great opportunity there. But again, it's not only there, it's everywhere. There's PFAS in every country, not just America, our friends in the Asian communities, like our friends at CATL. They know all about the hazards of the water these days.

Jeffrey Campbell (Seaport Research Partners)

Yeah, that's great color. I appreciate it. Thank you.

Matt Jore

Thanks, Jeff.

Operator

There are no further questions at this time. I would now like to hand the floor back over to Matt Jore for any closing remarks.

Matt Jore

Thanks Darryl. All I can say is I'm really excited about the future. I'm stunned that the water scarcity around the world is in such high demand and creates such a big opportunity for our solution. We've got a great team of people that have been working really hard and we're really thankful for the support of Carrier and GE Vernova and all of the analysts and investors that are supporting us. So thank you very much. We look forward to updating you in the coming weeks and months.

Operator

Thank you. This does conclude today's teleconference. We appreciate your participation. You may disconnect your lines at this time. Enjoy the rest of your day.