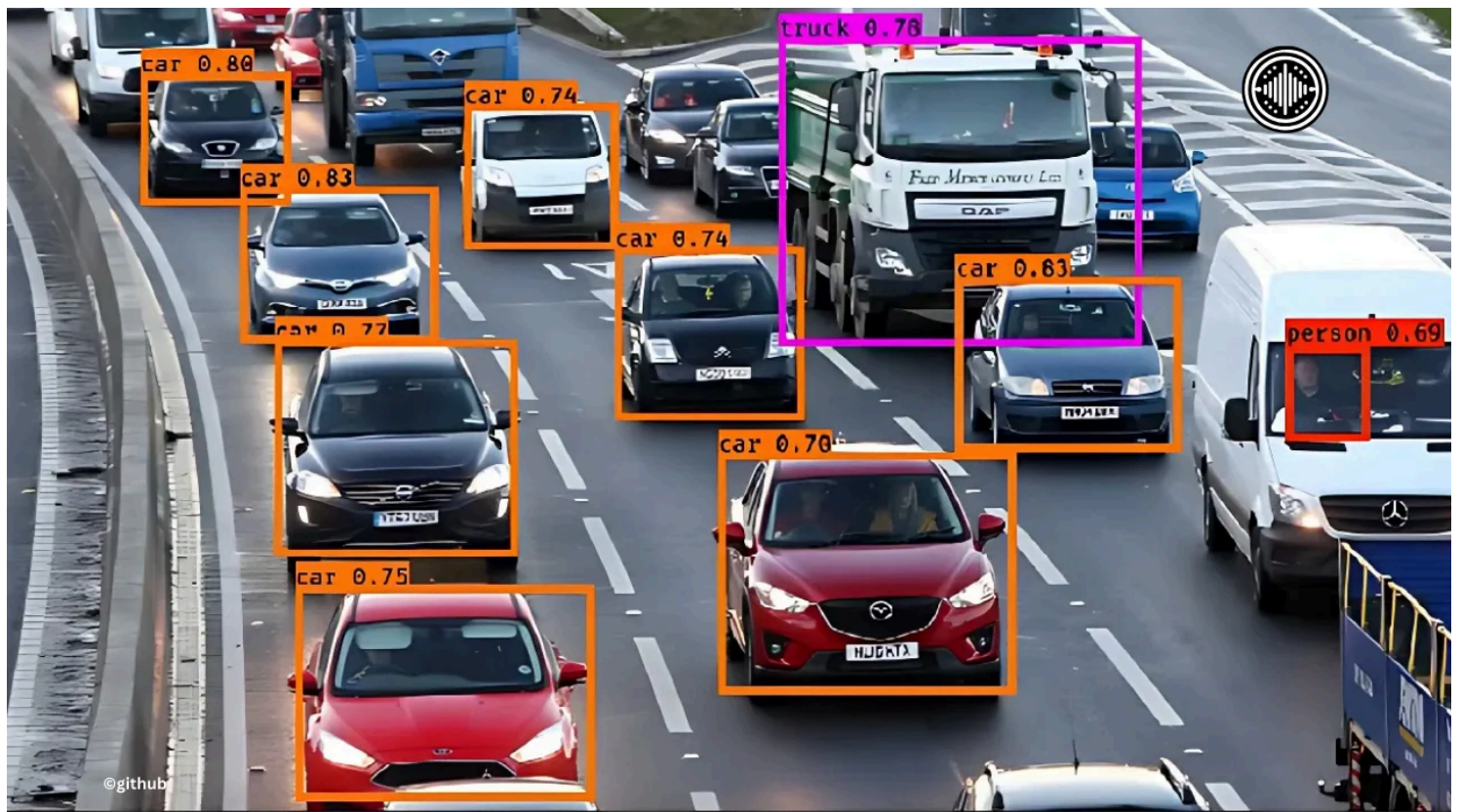


Rekor Systems Faces Financial Struggles Amid Stagnant Revenue

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Rekor Systems (REKR) reported disappointing second-quarter 2025 results, highlighting ongoing financial challenges for the company. Sales remained flat year-over-year, and losses continued to mount, raising concerns about the company's ability to sustain operations without additional financing.

The company's adjusted EBITDA losses for the quarter were nearly \$6 million, representing about 50% of its \$12 million in revenue. Gross margins declined, signaling pressure on profitability despite some minor improvements in operational costs. Management cited weather-related disruptions as a factor in the first-half revenue decline, but the overall trend points to stagnation rather than growth.

Rekor secured a contract with the Texas Department of Transportation, allowing municipalities to purchase its real-time control and alert systems. While the contract could offer long-term potential, company officials cautioned that adoption across all 25 districts would take time. Additional contracts with other state authorities were reported, but each was valued at less than \$1.5 million, limiting immediate financial impact.

The company's general and administrative expenses remain the largest portion of operating costs, accounting for roughly half of total expenditures. Even with some reductions, the company remains unprofitable, and cash flow continues to be a major concern.

Rekor has heavily relied on its at-the-market (ATM) share offering with Northland Securities to finance operations. Between December 2024 and June 2025, 18 million shares were issued, diluting existing shareholders by approximately 17%. By June, cash reserves remained at roughly \$5 million, insufficient to cover more than one quarter of adjusted EBITDA losses. Additional shares issued between June and August added \$4.6 million in proceeds, but the ATM facility, originally capped at \$25 million, is nearly depleted. The company announced the termination of the ATM offering as part of strategic capital initiatives, further tightening financing options.

The 10-Q filing for the quarter included a "going concern" statement, noting that current cash levels are inadequate to fund operations over the next twelve months. The filing highlighted "substantial doubt regarding the company's ability to continue as a going concern," emphasizing the urgency of securing additional capital or reducing expenditures.

Analysts noted that even with stronger cash reserves, Rekor's valuation remains unattractive. Recent growth has been limited and largely inorganic, stemming from past acquisitions rather than organic revenue expansion. Operating margins continue to be negative, and sustained losses suggest that shareholders may face further dilution in the future.

Given the company's current financial trajectory, analysts maintain a cautious outlook. Rekor Systems faces a critical period where financing and operational decisions will determine whether it can stabilize its business or continue to face substantial financial pressure.