NASDAQ:ALMU Q2 2026 Earnings Call Transcript

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Operator | Conference Operator:

Good day, and thank you for standing by. Welcome to Aluma's Q2 fiscal year 2026 earnings conference call. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question and answer session. Please be advised that today's conference call is being recorded. At this time, I would like to turn the call over to Alex Vialta, Investor Relations for Aluma. Please go ahead.

Alex Vialta | Investor Relations, Illuma:

Good afternoon, and welcome to Illuma's second quarter fiscal 2026 earnings call. I'm here today with founder and CEO Jonathan Clampkin and CFO Christopher Stewart. Today's discussions and responses to questions may include forward-looking statements, which are subject to various risks and uncertainties that could cause our actual results to differ materially from these statements. These risks and uncertainties are detailed in the earnings press release issued today along with the reports filed with the US SEC. These reports, along with today's earnings release, can be found under the investor section of our website. Illuma assumes no obligation to update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this call. Throughout the discussion, the company will refer to non-GAAP financial measures, including EBITDA and adjusted EBITDA. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures is included in the earnings press release and SEC filings. Now, I'll turn the call over to Illuma's CEO, Jonathan Clampkin.

Jonathan Clampkin | Founder and CEO, Illuma:

Thank you, Alex, and thank you all for joining today's call. To begin, I would like to share some enlightening numbers I heard recently at the PIC Summit in Sunnyvale, an event aligned with the SPIE Photonics West Cons that Illuma participated in. An executive from Celestial AI, the photonics company recently acquired by Marvell, stated that the top four hyperscalers invested more than $300 billion in data center CapEx in 2025. And this number is expected to surpass $1 trillion in 2029. This is a significant market opportunity now and for the next several years. It is also an opportunity for new technology and product introduction. Higher performance is needed, higher volumes are needed, and cost is critical. The Aluma platform wins on all of these metrics. And while data centers represent a very important market for Aluma, this is only one of three primary near-term target markets that also include mobile and defense. and activities for us are busier than ever across each of these markets. We are witnessing our vision come to life as mobile and consumer electronics OEMs position their supply chains to adopt shortwave infrared, or SWIR, sensors. SWIR sensors have been around for many years, primarily in the defense, aerospace, and industrial markets for applications such as imaging and machine vision. Indium gallium arsenide, or ingas, one of Illuma's primary semiconductor materials, has been the benchmark for SWIR because of its best-in-class performance. But incumbent ingas technology is expensive and doesn't scale. If only ingas could be lower cost. I've heard this for decades. If only, then ingas sensors would be in every mobile phone, tablet, PC, and other consumer product. The mobile market is getting ready to adopt SWIR, and as we know, Illuma's manufacturing platform enables the scale required for mass markets. In the second quarter, we continued to execute our commitments and remained sharply focused on our transition to commercialization. Conversations with key customers have shifted from interest and evaluation to pricing and planning. At this pivotal time, I am delighted to welcome Bush Nesser as Aluma's new Senior Vice President of Business Development and Product. Bush held key roles at JDSU, now Lumentum, overseeing sales, product marketing, and

management for high-speed receiver product lines. What a great match for Aluma and our scalable detector technology. Busch's three decades of experience with semiconductor photonics span optical networking in data centers, sensing, and quantum. In addition to JDSU Lumentum, Busch held leadership roles at SCD USA, one of the largest suppliers of infrared sensors, and Princeton LightWave, where he launched commercial laser, and biomedical detector products. Bush is the perfect fit for Illuma at this stage when we are seeing increasing requests for quotation and have begun taking sales orders. While initial orders are relatively small in value, this marks an important milestone toward broader market adoption. Bush has a track record of taking technology to product, driving market adoption, and growing revenue. He will accelerate our go-to-market strategy, building on the significant customer traction achieved today. In addition to Bush's appointment, we added experienced leadership and technical talent across supply chain and engineering. These other key appointments have strengthened our manufacturing partner relationships as we increase operations with foundries. Ships are yielding and performing as we qualify our processes for target markets. We will continue to expand the team and also evaluate strategic opportunities to accelerate our growth. Earlier, we announced the win with NASA to invest further in our platform for quantum photonics. We also received additional contract funding to integrate quantum dot lasers directly into the AIM Photonics 300 millimeter silicon photonics platform. This technology could be a game changer for the photonics industry across AI, data centers, sensing, and quantum. Additionally, we received several award notices recently for later stage R&D efforts and transition opportunities, reinforcing confidence in Illumis technology and expectations for additional contracts this year. In January, our team was very active at the SPIE Photonics West Technical Conference and Exhibition. a presentation was delivered that showcased our scalable semiconductor platform for quantum. To provide color, Aluma is a technology company and not a system integrator. However, we believe our platform has more potential than those developed by major quantum system companies. Compared to alternatives such as lithium niobate or barium titanate, Illuma's heterogeneous integration on silicon may provide the path forward to scalable quantum photonic systems. Our booth at the exhibition was also busy. We held important meetings with existing customers and partners and also discussed Illuma's technology with many new leads across key markets. Important people came to see Illuma. The word is out and the buzz continues to grow. We were visited by individuals from the mobile market, the data center market, the defense market, and the quantum market, among others. We also took another step to deepen our presence in defense and commercial markets with admission to the Midwest Microelectronics Consortium, or MMEC, in November. This is a key hub within the Department of War's Microelectronics Commons, which is focused on transitioning critical technologies from the lab into domestic manufacturing. Hub themes directly align with the Loomis technology, which addresses AI hardware, electronic warfare, quantum, and infrared sensing. Simply put, the MMEC expands our reach while reaffirming our role in future-proofing America's leadership in semiconductors. External recognition continued, with Aluma being named a 2025 LEAP Award winner for Advanced Materials Innovation. This award recognized our wafer-scale SWIR photo detector platform and highlights the competitive advantage of combining best-in-class materials with scalable manufacturing. Importantly, this independent validation enhances our credibility and relevance across multiple high-growth markets. At the same time, we continue to strengthen the foundation of our business, We expanded our patent portfolio to 35 issued and pending patents. Our mindset is to leave no stone unturned when it comes to establishing a footprint in our target markets. Taken together, these achievements underscore clear themes. Momentum is building, visibility is rising, engagement is translating into opportunity. The time is now to capitalize on our progress and the growing market horizon and to pursue strategic opportunities to accelerate our path to commercialization. As we move through fiscal 2026, we remain intensely focused on commercialization and on delivering long-term value. Now, I'll turn the call over to our CFO, Chris Stewart, to discuss the financials.

Christopher Stewart | CFO, Illuma:

Thanks, Jonathan. Moving on to our fiscal second quarter 2026 financial results, revenue was $1.3 million compared to $1.6 million in the second quarter of last year, fiscal 2025, and $1.4 million in the first quarter of fiscal 2026. Our government R&D contracts were the principal source of revenue for the quarter, and as we

have discussed previously, quarter-to-quarter revenue can vary based on the timing of meeting program milestones. It's important to highlight the strategic nature of these programs. Government development contracts provide non-diluted funding for our R&D investments and serve as ongoing technical validation of our platform by prospective government customers. Going forward, we will continue to pursue strategic government programs that can meaningfully accelerate commercialization opportunities. That net loss for the quarter was $1.9 million, or $0.11 per basic and diluted share, compared to a net loss of $2.9 million, or $0.24 per share in the prior year period, and a net loss of $1.5 million, or $0.09 per share in the sequential prior quarter. The lower year-over-year net loss was primarily due to a non-recurring $3 million charge for a change in the fair value of derivative liabilities that we recorded in the quarter ended December 31, 2024. This was partially offset by higher salaries, stock-based compensation, and employee-related costs associated with increasing our headcount to strategically expand our business and scale our operations. The sequential increase in net loss was driven by higher R&D related expense partially offset by lower SG&A expense. Adjusted EBITDA loss for the quarter was $917,000 compared to a gain of 647,000 in the same period last year and a loss of 450,000 in the first quarter of this year. We closed the quarter with a strong balance sheet, including $38.6 million in cash and cash equivalents, an increase of $425,000 from the close of the September quarter, primarily due to the receipt of $690,000 from the exercise warrants that were issued as part of our March 2025 NASDAQ uplisting and financing. Related to the warrant exercise, we issued 124,415 shares of common stock. Currently, we have no long-term debt, and we intend to continue to operate in a disciplined, capital-efficient manner while ensuring that Aluma is appropriately positioned to execute on our strategic plans and capitalize on the opportunities to create value for our shareholders. Last week, we took a proactive step in filing a post-effective amendment with the SEC to consolidate several existing S-1 registration statements that we're currently on file. No new chairs were registered in connection with this filing. This consolidation just streamlines our reporting requirements and reduces administrative costs going forward. Turning to guidance for the full fiscal year of 2026, we continue to expect revenue in the range of 4 to 6 million. Our execution is progressing according to the plans discussed on our last two quarterly calls. We have strengthened our organization with key additions across our go-to-market and operations teams. We are ramping fab runs and continuing to increase our manufacturing readiness. As Jonathan mentioned, we're receiving an increasing number of requests for price quotations and have begun taking initial sales orders for product shipments. While near-term revenue from these orders is expected to be modest, we do believe it's an important milestone and provides another indication of market interest in our technology. With that, I'll turn the call back over to Jonathan for his closing remarks before we open the call to your questions.

Jonathan Clampkin | Founder and CEO, Illuma:

Thank you, Chris. To summarize, this quarter reinforced that Aluma is gaining traction and momentum. We continue to execute our strategic priorities, strengthen our technical foundation, accelerate our go-to-market plan, and expand operations to scale. As we move through the year, we remain laser focused on converting this momentum into customer programs and transitioning to commercialization. I want to thank our incredible team for their hard work and dedication, And I want to thank all of you for your unwavering support and enthusiasm. Operator, you can now open the call for questions.

Operator | Conference Operator:

Thank you. We will now begin the question and answer session. To ask a question, you may press star, then 1 on your touch-tone phone. If you are using a speakerphone, 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 2. The first question will come from Richard Shannon with Craig Hallam. Please go ahead.

Tyler | Analyst, Craig Hallum:

Hi, this is Tyler on for Richard Shannon. I was wondering what are the end marks and markets that you're getting sales orders for?

Jonathan Clampkin | Founder and CEO, Illuma:

Thanks, Tyler, for the question. As it relates to sales or engagements, we're not sharing specific customer or product information at this time. The small flurry of pricing inquiries and initial sales orders is an important milestone, but the sales orders are relatively small in value, certainly a step forward toward broad market adoption. But we do believe that our plan to initially focus on mobile, AI, and defense has provided us sort of the right balance of early adopters, small volume early adopters, and disruptive large volume opportunities. And, you know, a good way to to get to large orders is to first win some small sales orders. And that's exactly what's happening for us right now.

Tyler | Analyst, Craig Hallum:

Awesome, that's that's great to hear. And then you mentioned quantum photonics. I was just wondering, is this for receiving or operations or routing or or sending of quantum photons?

Jonathan Clampkin | Founder and CEO, Illuma:

In the near term, the work that we're doing is primarily for generating photons. There's significant interest in working with Illuma to build out an entire platform that could do everything from generate photons, route photons, process and detect photons. with our single photon detector technology. But in the near term, we've been doing sort of foundational work to develop a platform to integrate these highly nonlinear materials on large diameter substrates. So we've done that on small substrates. We've done that on 200 millimeter substrates. And we're working with some partners now to scale that to 300 millimeter substrates.

Tyler | Analyst, Craig Hallum:

And then just one last one to expand on that. Pairs or single photons?

Jonathan Clampkin | Founder and CEO, Illuma:

Primarily pairs.

Tyler | Analyst, Craig Hallum:

Got it. Thank you. Appreciate it.

Operator | Conference Operator:

The next question will come from David Williams with Benchmark. Please go ahead.

David Williams | Analyst, Benchmark:

Hey, Jonathan. Chris, thank you, gentlemen, for taking the question. Certainly appreciate it. And congrats on the continued progress here. And maybe first, just kind of following on Tyler's first question about the sales orders, and I know you're not commenting maybe on the end markets, but... Is there a way to kind of think about maybe the number that you're seeing there in terms of the magnitude of how many customers are actively engaging on that side? And then maybe what are those orders for? You talk about them being small, so I'm assuming they're samples. But are these programs that you think can move into volume scale over time? Or maybe just any more color around those sales would be helpful. Thank you.

Jonathan Clampkin | Founder and CEO, Illuma:

So, price increase coming from a multitude of markets. We sort of mentioned our key markets, so it's coming from more than one of mobile AI data centers, defense, and quantum. What I can say is that there's multiple price quotations out there, multiple sales orders coming in, relatively small in size. So we're not increasing our revenue guidance for this year at the time. But we see these as a very important milestone because as more and more requests come in, Others follow. So outside of sort of the business to business marketing that we do, people are finding out about our technology and what we're building and sending us requests. So we do expect this to grow over time and we'll likely report on it in future quarterly calls. But at this time, what I could say is that our strategy to focus on defense, mobile, AI data centers and longer-term opportunities in quantum seems to be coming to fruition now.

David Williams | Analyst, Benchmark:

Yeah, I certainly appreciate the color there. And then maybe secondly, just stepping back, and you talked about SWIR and mobile and the supply chains kind of ramping to adopt that. Can you talk about maybe where you intercept that generation in terms of builds and And is this something we could see this year or maybe have some indication of a pathway to that adoption for next year in terms of that SWIR on the mobile side? Thank you.

Jonathan Clampkin | Founder and CEO, Illuma:

Thanks, David. I can't comment on timeline at this moment. But SWIR, as I said in my remarks, has been around for decades in applications like, you know, defense, night vision, industrial applications, machine vision. And it is the in-gas technology that Illuma developed is the best swear technology because of its performance. It just doesn't scale when it's made the sort of conventional way. Otherwise, it would make its way into consumer electronics. There's a lot of benefits for consumer applications. Shortwave infrared offers low solar interference, improved eye safety. And what I can say is that the mobile industry is positioning to adopt SWIR for future generation products. And so what we see happening is what went from interest in our technology, the industry is gearing up the supply chain for that market. Other than that, I can't comment on timeline at this moment.

David Williams | Analyst, Benchmark:

No, that's certainly encouraging. It sounds like if they're gearing up the supply chain, it sounds like there's something maybe more solid that's coming down the pipeline that you might be able to announce in the future. Is that kind of fair to think that that is the case?

Jonathan Clampkin | Founder and CEO, Illuma:

Yeah, we feel like the plan to adopt SWIR for consumer markets is solidifying. It's not just an interest at this stage.

David Williams | Analyst, Benchmark:

Okay, fantastic. That's really nice to hear. And then maybe just lastly here, if I can, you talked about pursuing some strategic opportunities really as you move to commercialization. And in the past, you've talked about potentially licensing deals on the mobile side. So I guess maybe can you speak a little bit about those strategic opportunities that you mentioned in the script? And then also on the manufacturing side, do you feel like you have – the sufficient volume to meet what you see coming down the pipe over the next, say, 12 to 24 months?

Jonathan Clampkin | Founder and CEO, Illuma:

Thanks, David. That's a great question. On supply chain, as you know, and we've discussed this on prior calls, we have a number of supply chain partners, fab partners, materials partners, packaging, integration, and other supply chain partners. And for every partner or area, there's multiple providers and paths. And some paths are better suited for very large volume markets. Some paths are better suited for the smaller volume of markets such as defense. We haven't shared details of the supply chain at this time, but we hope to in the future. And in terms of strategic opportunities, yes, for any one of the market opportunities that we speak of, whether it's mobile, AI data centers, or defense, we're always looking at more than one way to get our technology to market, to enable market adoption, whether that be us or leading the manufacturing supply with our supply chain partners or transferring process to mature manufacturers and licensing. Nothing specific to say at this time, but we look at all opportunities possible to get our technology into market. And how our technology makes its way into these different markets might look different for mobile versus defense and so on.

David Williams | Analyst, Benchmark:

Great. Well, congratulations again. It's certainly great to hear the progress and looking forward to seeing your success. Thank you.

Operator | Conference Operator:

Thank you, David. The next question will come from Tim Savageau with Northland Capital Markets. Please go ahead.

Tim Savageau | Analyst, Northland Capital Markets:

Hey, good afternoon. The question more focused on the AI infrastructure side. I think last quarter you mentioned the you know, indications of demand accelerating kind of across the ecosystem and that driving some acceleration in activities on your part. And I think if anything, you know, over the last week or two, we've seen in reports from some of the larger players in the space, maybe indications of increased acceleration across the device and optical module side. You know, I wonder if that in turn has led to some further degree of acceleration in what you're seeing in terms of AI infrastructure opportunities. It seems like your management addition might speak to that, but if you had any more color on that front, kind of at a higher level, that would be great.

Jonathan Clampkin | Founder and CEO, Illuma:

Yes, and I think you were alluding, Tim, to some supply chain issues, whether it be sort of turning on capacity for components that are in high demand or substrate supply that's required to produce the epiwafers. There are a multitude of interesting opportunities for us, and the number of inquiries coming in from that space really grows by the day, in part because of supply chain issues, because of demand and supply not being there or not being turned on at the moment. We've talked about quantum dot lasers and integrated with silicon. That's a little bit more long-term for us. What is very near-term is helping meet the demand of other components like high-speed detectors that are applicable across a variety of use cases. So, as you know, the industry refers to slow and wide for scale out, narrow and fast for scale up. A multitude of cases, whether it be EMLs or silicon photonics transceivers or Vixels, and whether it's pluggables or a transition to NPO and eventually co-packaged optics, the system integrators and hyperscalers need high-performance components, higher speed, lower power consumption, and the cost requirement needs to be met. And what's very interesting is that we've been developing this high-speed detector technology for some defense customers, and now people are asking us specifically for some of these slow and wide detectors and detector arrays or very high-speed in-gas detectors to enable certain wavelengths and to enable EML or silicon photonics transceivers. So there appears to be a bottleneck in the industry for some of these high-performance components. We hear all the time from the system integrators that they're looking at high-speed modulator technology, thin-film lithium niobate. I think the laser bottleneck is not something we're going to pursue in the near term because there are many component providers that can build the lasers that are needed. Meeting the price requirement is going to be a challenge, but high-speed modulators and high-speed detectors, there's an opportunity there, and our focus is on high-speed detectors. for a few different formats and data centers.

Tim Savageau | Analyst, Northland Capital Markets:

Great. And just to follow up on that, I mean, a lot of, at least to the indication of demand strength, separate from what's happening supply-wise, is coming at kind of higher speed, you know, rates for, mostly for modules, but maybe some co-packaged stuff as well at 1.6 terabit. I mean, how is the company positioned to address those type of opportunities.

Jonathan Clampkin | Founder and CEO, Illuma:

Very well. And that's one of our top priorities for the data center markets. We've been developing high-speed detectors It's a fairly similar platform to the detector platform that we've developed for image sensors. Similar materials, slightly different epistacks, slightly different fab flows to enable the high speed. And we've got some of the world's leading experts in high speed detectors, 50, 100 gigahertz bandwidth and beyond. And that's exactly what we're doing right now. We're taking our platform that we developed for a government customer for the 10 and 25 gig data rates and now expanding it to even higher speeds for some of those applications, whether it be 200G Vixels or EML links at 200G. Great.

Tim Savageau | Analyst, Northland Capital Markets:

Thanks very much.

Operator | Conference Operator:

Thank you.

Christopher Stewart | CFO, Illuma:

Thanks, Tim. Thanks for joining the call.

Operator | Conference Operator:

This concludes our question and answer session. I would like to turn the conference back over to Mr. Jonathan Clampkin for any closing remarks.

Jonathan Clampkin | Founder and CEO, Illuma:

Thank you for joining our call today. We look forward to connecting in the future. Wish you a great day.

Operator | Conference Operator:

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