NASDAQ:INVE Q3 2025 Earnings Call Transcript

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Ed | Chief Financial Officer:

overhead costs, and direct labor costs at our discontinued Singapore operation, improved utilization of our manufacturing production facility in Thailand, and sales of fully reserved inventory of $0.2 million. As we mentioned in our August call, we completed production of RFID inlays and labels in Singapore and the requalification of our customers at our Thailand production facility at the end of Q2 2025. Facilities shutdown activities in Singapore continue to progress as planned and are expected to be substantially completed by year-end. Gap and non-gap operating expenses for the third quarter of 2025, including research and development, sales and marketing, and general and administrative expenses, totaled $6.1 million and $4.5 million, respectively, compared to $9.8 million and $5.1 million, respectively, in Q3 2024. The year-over-year decrease in GAAP operating expenses was driven primarily by a reduction in strategic review-related costs incurred in 2024. The decrease in non-GAAP operating expenses reflects management's targeted resource allocation to support the company's organic growth initiatives as outlined in our PAT strategic framework. Third quarter GAAP net loss from continuing operations was $3.5 million, or $0.15 per basic and diluted share. compared to gap net loss from continuing operations of $9.3 million, or 40 cents per basic and diluted share, in the third quarter of 2024. This decrease in net loss was primarily due to strategic review-related costs of $3.6 million incurred in the third quarter of 2024 compared to $0.3 million in the third quarter of 2025, higher year-over-year interest income of $1.1 million, and an income tax benefit of $0.8 million in the third quarter of 2025 compared to an income tax provision of $0.4 million in the comparable quarter of 2024. Non-GAAP adjusted EBITDA loss for Q3 2025 was $3.6 million compared to $4.5 million in the third quarter of 2024. The decrease in the loss was primarily due to the reduction in fixed manufacturing costs at our Singapore facility, improved utilization of our manufacturing and production facility intent, as well as management's continued careful allocation of operating expenses as we execute on our PAT strategic initiatives. In the appendix of today's presentation, we have provided a full reconciliation of GAAP to non-GAAP financial information, which is also included in our earnings release. Moving now to the balance sheet. We exited Q3 2025 with $126.6 million in cash, cash equivalents, and restricted cash. In the third quarter of 2025, we used $3.1 million in cash. This brings our total net operating cash use for the 12 months following September 30, 2024, the end of Q3 2024, to $13.4 million, well within our previously announced guidance range of $13 to $15 million. Our working capital exiting Q3 was 135.4 million. Our balance sheet position remains strong. In our 10Q filing, we will be providing a full reconciliation of year-to-date cash flows. For completeness, we have included the full balance sheet in the appendix of today's earnings release. Lastly, our financial outlook, which is based on current market conditions and expectations, including macroeconomic conditions and customer demand. As of today's call, For Q4 2025, we currently expect net revenue in the range of $5.4 million to $5.9 million. This concludes the financial discussion. I'll now pass the call back to Kirsten.

Kirsten | President and CEO:

Thanks, Ed. As you just heard, we delivered results that met or exceeded our guidance, a solid step forward as we continue executing against our perform, accelerate, and transform strategy. While we know there's more work ahead to reach our overall financial goals, we're encouraged by the tangible progress we're making. Across each pillar, performing with focus, accelerating across our high value segments, and ultimately transforming our business, we're building a strong foundation for sustained and profitable growth. Let me now share how this progress is unfolding across our organization. Perform. deliver exceptional results for customers, and drive operational excellence. Our first pillar, perform, is focused on strengthening and growing our core channel business. To achieve this, we are prioritizing higher margin opportunities, extending growth margins for our Thailand transition, and executing our new product development, NPD, pipeline with greater discipline. Our goal is to consistently exceed customer expectations through exceptional support, reliable performance, and on-time delivery. As I mentioned in my opening comments, we reached a major milestone in our manufacturing transformation this quarter. 100% of our RFID tags, inlays, and labels are now produced at our new state-of-the-art Thailand facility. The Singapore site shutdown is on track for completion by year-end, marking the end of a successful two-year transition. The Thailand facility has lowered manufacturing costs, improved efficiency, and enhanced scalability, laying a stronger foundation for continued margin growth. To further advance operational excellence, we launched CRM and MRP automation initiatives earlier this year to streamline key sales and operations planning processes. We've made steady progress and expect to have these systems largely implemented by year-end, strengthening our operational foundation and ensuring availability as we grow. On the commercial front, our new opportunity pipeline continues to expand, driven by new sales team members ramping up across their territories and channel partners. So far this year, we've converted 18% of our new opportunity pipeline. representing almost 10% of quarter three sales, with additional growth expected as this new business scales. Implementing HubSpot to enhance lead generation and visibility, and preparing to launch our new corporate website by year end. in Germany and Label Expo in Barcelona, both generating meaningful customer engagement and reinforcing strategic partnerships. At Label Expo, our own VP of Business Development, Klaus Simenmayer, and Nerevero CEO, Thomas Roding, shared insights on DPP compliance during a dynamic NFC RFID panel at the Smart Labeling Seminar 2025, further strengthening Identis' position as an innovation leader. Finally, the TSA transition with Vita Protect is now substantially complete, and we are fully separated from the physical security business we sold one year ago, a key milestone marking our strategic focus and transition to being a pure play in IoT and RFID technology. Accelerate. Accelerate growth in high-value segments and through technology innovation. Moving to the second pillar of our PAT framework, accelerate. We're advancing three specific growth initiatives to build our pipeline and drive long-term revenue and margin expansion. One, expanding our BLE technology platform and multi-component manufacturing capabilities. Two, targeting growth in three healthcare high-value applications. and three, further driving growth in three consumer and logistics high-value applications. This quarter, we made notable progress in R&D and new product development, particularly in our Bluetooth Low Energy, BLE, programs. BLE represents the next generation of IoT technology, offering real-time traceability and condition monitoring capabilities that are difficult to achieve with traditional RFID. We believe the technical complexity of BLE smart label design and manufacturability aligns well with our engineering expertise and gives us a clear competitive advantage. We successfully completed the first production runs of the ISCO BLE prototypes and Williott's Next Generation Pixels, key milestones in the development and commercialization of two important customer-driven BLE programs. These achievements, along with the internal development of our BLE shipping label, expand our product portfolio and further strengthen our expertise in next-generation RFID technology and multi-component manufacturing. We also formalized a partnership agreement and a manufacturing agreement with Williott to scale up and commercialize next-generation pixels. Williott IoT pixels are small, battery-free Bluetooth sensors powered by harvesting ambient radio frequency energy, enabling continuous transmission of data like temperature, motion, and location for smart supply chain and IoT applications. In healthcare innovation, our R&D work with Lilly was recently highlighted in a new white paper that we published in September, demonstrating our leadership in RFID innovation for drug adherence and delivery. This is a compelling example of how our technology is enabling smarter, safer patient experiences. We're also advancing collaborations launched earlier this year including our strategic partnerships with Novanta for medical device applications and Tag & Track for pharmaceutical cold chain management. Additionally, we announced a new commercial partnership with Took, bringing our secure NFC technology to children's books. Each book integrates seamlessly with Took's speakers through customizable NFC tags, activating guided audio without screens, Wi-Fi, or extra devices. Designed for durability and security, this solution is built to scale across classrooms, libraries, and homes, empowering the next generation of young readers. These new interactive books are available for purchase now in Scandinavia with expansion plans into the rest of Europe. We were also honored as a winner of the World Beverage Innovation Awards in 2025, together with our partners Zaytap by CollectID and Genuine Analytics AG for our NFC-powered smart packaging solution that safeguards luxury wine producers and collectors from counterfeiting. This recognition in the Best Technology

Innovation category underscores our engineering excellence and collaborative approach to smart packaging. Finally, within our Accelerate initiatives, we completed detailed product roadmaps aligned with our high-value market segments, which is intended to ensure that our innovation and go-to-market efforts are tightly connected to customer needs and strategic priorities. Several of these MPD programs will begin in the next quarter. Transform creates significant business expansion and capability growth through M&A for long-term success. Our third pillar, Transform, focuses on expanding the business through strategic M&A that accelerates EBITDA break-even broadens our product portfolio, and enhances our technical capabilities. We continue to work with our financial advisor, Raymond James, to assess our strategic alternatives. Metrics. This year, we began reporting several new metrics to monitor our progress against strategic objectives. We're continuing to refine these metrics and plan to establish formal targets in 2026. The quarter three results are, for the first metric, new sales pipeline and conversion rate. This metric tracks the number of opportunities with new customers or customers we haven't sold to in over two years. At the end of quarter three, we had 118 new opportunities in our pipeline. We added 46. closed 28, and converted seven to sales, leading to a net increase of 18 over quarter two. We had 100 new opportunities in our pipeline at the end of quarter two, and 75 in quarter one, showing a steady increase over time. So far this year, we have converted 18% of our new opportunities to sales. Second, NPD projects. This metric tracks the number of active NPD initiatives. These projects involve the development of entirely new RFID or BLE tags, inlays or labels. As of the end of quarter three, there were 17 active NPD projects, 11 customer driven and six internally driven. Four of the customer driven projects target healthcare applications and four utilize BLE technology which represents the largest share of potential volume and steady-state revenue. Our third metric, NPD project completion. This metric captures the number of NPD projects completed within the quarter. In quarter three, we completed three customer-driven projects, two of which are moving into commercialization. Both projects were for anti-counterfeiting initiatives in the high-end spirits and wine markets, which will be scaling up in 2026. In closing, this was a quarter of steady financial performance and meaningful operational milestones. We met or exceeded guidance, achieved 100% production of tags, inlays, and labels in Thailand, advanced key R&D and commercialization initiatives, and made continued progress across our perform, accelerate, and transform strategy. We reaffirm Identif's commitment to advancing specialized IoT solutions, expanding our BLE capabilities, and fully leveraging the strategic advantages of our Thailand-based production. By continuing to execute against our perform, accelerate, and transform strategy, we believe we are well-positioned to capture future growth opportunities within the rapidly evolving global IoT market. As we look ahead, our priorities are clear. Complete the Singapore site shutdown by year end. Ensure excellent service to our customers while driving productivity and efficiency in Thailand. Execute our key new product development initiatives with excellence. Expand our commercial and business development pipeline across high value segments. and position the company for sustained growth and stronger financial performance in 2026 and beyond. I want to take a moment to thank our employees, customers, partners, and shareholders for their continued trust and support. We're encouraged by our progress, confident in our strategy, and excited about the opportunities ahead as we continue to lead in the fast-growing RFID and BLE markets. With that, I'd like to open the call for your questions. Operator, please open the question queue.

Operator | Conference Operator:

Thank you. At this time, we will be conducting a question and answer session. If you would like to ask a question, please press star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you would like to remove your question 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 questions. Our first question comes from Craig Ellis with B. Riley. Please proceed.

Craig Ellis | Analyst, B. Riley & Co.:

Yeah, thank you for taking the question, and nice job on the gross margins in the quarter. I wanted to start, though, on the top line. So for the fourth quarter, it looks like we're expecting sales up about 11%. So the question is, as we look across the different vectors of the business, whether it's channel or NPD conversion, what's driving the growth sequentially and what are some of the gives and takes as we think about tailwinds and headwinds as we exit the year?

Kirsten | President and CEO:

Yeah, no, thank you. Let's see. So definitely we are seeing, you know, some growth from our existing channel customers. But I do think we're also seeing some uptick that's related to some of our BLE projects that we're seeing some additional traction for in the fourth quarter. So it's a nice combination of both kind of our perform customers as well as some of the accelerate initiatives that we're starting to see some traction quarter over quarter.

Craig Ellis | Analyst, B. Riley & Co.:

Thanks, Kirsten. And just speaking of BLE, in the prepared remarks, you talked about progress with IFCO and Williott. Can we conclude that IFCO is on track for volume shipments in the second half of next year? And Williott had previously been talked about as a potential high-volume customer, certainly not the size of IFCO, but high-volume How do we think about what's possible with Willi at Nexture?

Kirsten | President and CEO:

Yeah, well, to start with the ISCO question, yes, we are making progress. So, you know, product development is well underway. As we mentioned, we shipped out production-made prototypes that are now being used in proof of concepts in the field. And so that, of course, a lot of learnings will come from that, and we'll take those learnings and use that to continue to optimize the designs. So that's progressing well. And in terms of Williott, we've been working very hard over the last six months to qualify their next generation product. So that's underway. And this quarter and even last quarter, last quarter was beginning and this quarter we will be shipping those next generation products to the field. So, you know, both of them are nice opportunities. You know, we're excited about both of them and working really hard to make sure that we can complete the development of the IFCO product and then really help to support all the different Williott customers as they look to commercialize the Williott solution.

Craig Ellis | Analyst, B. Riley & Co.:

Great. Thank you. And if I could sneak one in for Ed. Ed Real nice job by the team with gross margin in the third quarter. With the business getting the benefit of the full Singapore shutdown in the fourth quarter and with higher revenues and with some of that coming from the higher quality revenue basket that the company's been prioritizing, can you talk a little bit about what we could expect for gross margins in the fourth quarter? And if there are any headwinds, we need to comprehend. Thank you. Thanks, Greg.

Ed | Chief Financial Officer:

Yes, our Q3 numbers, we saw significant benefits from the reduction in fixed costs with the discontinuance of our Singapore operations from both an overhead cost perspective and direct labor. Now, we expect that to continue. we will be substantially complete with all shutdown activities in Q4. So we're still working through the remainder there. I don't really expect a full impact on gross margin until we enter Q1 of next year.

Craig Ellis | Analyst, B. Riley & Co.:

Okay, and then what about other potential benefits such as sales mix and the move to higher margin products as mix goes more towards NPD.

Ed | Chief Financial Officer:

I'll let Kirsten talk about that, but I do want to say in addition to that, we have the, you know, we will continue to improve margins with improving the utilization of our Thailand facility. But as far as mix,

Kirsten | President and CEO:

Yeah, yeah. So I think what we'll see in quarter four, so certainly some slight increase in utilization in the Thailand plant, that will help. As Ed mentioned, we aren't completely shut down, have shut down Singapore yet. So we still have some labor that's getting that whole plant now back to its original state and shut down, et cetera. So we have still a little bit of Singapore-related costs in quarter four. In terms of the mix, we definitely have some of our kind of NPD projects starting to ramp. Those are still a little bit in the ramp-up phase, so we still have a little bit of a ramp-up cost until we get the full productivity of those projects. But we do see, you know, kind of a slight increase in mix overall going into quarter four.

Craig Ellis | Analyst, B. Riley & Co.:

Thanks, Kirsten. Thanks, Ed.

Operator | Conference Operator:

Thank you. Okay, the next question comes from Anthony Stosz with Craig Hallam. Please proceed.

Anthony Stosz | Analyst, Craig Hallam & Co.:

Good afternoon, Kirsten and team, and congrats on the move to Thailand, getting it complete. Kirsten, of the roughly 21 opportunities that converted to customers, when will they show up in the P&L? And if you could just ballpark guess, what percentage of those are above your 28% gross margin goal?

Kirsten | President and CEO:

Yeah, so I think, I'm not sure where you're getting the 21 conversion, but we did convert, we have roughly converted 18% year to date of our new opportunity pipelines. And that represented in third quarter, roughly 10% of our sales. So those will definitely continue to scale and grow as we go into 2026. But yeah, no, we were happy to, year to date, we've converted roughly 18% of our total new opportunity pipelines.

Anthony Stosz | Analyst, Craig Hallam & Co.:

but roughly what percentage are at your 28% gross margin goal?

Kirsten | President and CEO:

Yeah, so of the new opportunity, of the new opportunities that converted, I think roughly two-thirds of them were on the higher value side, so higher than 30% gross margin, and probably a third of them were slightly lower than that. But two-thirds of them were what we would consider on the high value side.

Anthony Stosz | Analyst, Craig Hallam & Co.:

Got it. Good to hear. And then If you could frame the size of the new opportunity with Williott and also similar question, what kind of gross margins would you expect to generate?

Kirsten | President and CEO:

Yeah. So, I mean, we're not talking about, you know, kind of ultimate sales volume potential with the Williott. And that's, you know, that's still progressing. Margins, you know, the opportunity is large. We're scaling up the next generation of You know, we definitely anticipate margins to be quite a bit significantly higher than where they were two years ago, but we're still working to increase those over the next, you know, probably three to four quarters. And definitely higher, much higher than where they were back in 2023 and early 2024. Got it.

Anthony Stosz | Analyst, Craig Hallam & Co.:

And the last question for me, Kirsten, with your background in this industry and the healthcare side, I know in quarters past you've spoke a lot about your healthcare opportunities. Didn't hear a lot on this call. Maybe you can just refresh us where you stand and what you think the opportunity set is on the healthcare side.

Kirsten | President and CEO:

Yeah, we certainly still see a nice opportunity in healthcare, and we see kind of the interest from some of the medical device and the pharmaceutical companies in really engaging in evaluating these types of solutions, but these are also longer-term opportunities. So Of our current NPD new product development pipeline, I think roughly a third of them are healthcare related. They just take longer to get to the commercialization side. So we remain positive about the opportunity space. We remain positive about the projects that we have. But we definitely see some of the ones that are on the logistics side, the consumer product side, getting to market faster than we do with some of the healthcare projects that we're working on.

Anthony Stosz | Analyst, Craig Hallam & Co.:

Very good. Best of luck. Thank you.

Kirsten | President and CEO:

Okay, thanks so much.

Operator | Conference Operator:

We have reached the end of the question and answer session, and I will now turn the call over to Kirsten for closing remarks.

Kirsten | President and CEO:

Thanks, Operator, and thank you all again for joining us today, and we look forward to speaking with you next quarter. Have a good afternoon. Bye-bye.

Operator | Conference Operator:

This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.