NASDAQ:INVE Q3 2026 Earnings Call Transcript

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John | Conference Call Operator:

Good afternoon. Welcome to Addentive's presentation of its third quarter 2026 earnings call. My name is John, and I will be your operator this afternoon. Joining us for today's presentation are the company's interim CEO, James Greenwell, and CFO, Ed Kirnbauer. Following management's remarks, we will open the call for questions. Before we begin, please note that during this call, management may be making references to non-GAAP financial measures or guidance, including non-GAAP Adjusted EBITDA, Non-Gap Gross Profit, Non-Gap Gross Margin, and Non-Gap Operating Expenses. In addition, during the call, management will be making forward-looking statements. Any statement that refers to expectations, projections, or other characteristics of future events, including future financial results, future business and market conditions and opportunities, Strategic Partnerships and Collaborations, and any related benefits and attributes and future plans, strategies, opportunities, and goals is a forward-looking statement. Actual results may differ materially from those expressed in these forward-looking statements. For more information, please refer to the risk factors discussed in documents filed from time to time with the SEC, including the company's latest annual report on Form 10-K and quarterly report on Form 10-Q. as well as our third quarter 10Q once filed. IDENTIF assumes no obligation to update these forward-looking statements. I will now turn the call over to interim CEO James Greenwell for his comments.

James Greenwell | Interim CEO:

James Greenwell Thank you, operator, and good afternoon, everyone. Welcome to our third quarter 2026 earnings conference call, our first as INVE Technologies. My name is James Greenwell and I'm the interim CEO of INVE Technologies. I'm glad to be speaking with you today about INVE's path forward. I joined the company with a clear mandate from our board to execute our physical AI strategy and scale INVE Technologies into a disciplined high growth enterprise AI software operating company. By way of background, I spent over 30 years building, scaling, and operating technology businesses across SaaS, advanced manufacturing, and regulated industries. My career is centered on disciplined execution, scaling recurring revenue models, and executing strategic M&A and integrations. Early in my career at DecisionOne, I helped scale revenue from $100 million to $850 million, supported our oversubscribed $110 million IPO and subsequent $975 million acquisition while closing and integrating more than 40 acquisitions in four years. As chairman and CEO of Datria Systems, we commercialized advanced supply chain software that originated from Lockheed Martin. We built high retention enterprise SaaS solutions and executed a strategic sale in a roll-up to Intelligrated, which was later acquired by Honeywell for $1.5 billion. More recently, as president of Spotlight 360 and CEO of Spectrum Labs, I focused on modernizing operating infrastructure, expanding gross margin, and linking IoT hardware directly to software workflows. I will now review our recent operational milestones and return of capital to our shareholders. Our CFO, Ed Kirnbauer, will then provide our quarterly financial review. Lastly, I'll walk through our growth strategy for building a physical AI SaaS operating company. On September 15, 2026, we closed the sale of our IoT business to Trachonomy in exchange for $50 million in preferred equity in Trachonomy. The Transition Services Agreement, we call a TSA, that we put in place at this time is progressing and remains on track to support the full operational handoff through the end of 2026. This transaction simplified our balance sheet and established a close strategic alignment with one of the most innovative physical AI companies in the world. This week we entered into a definitive strategic partnership with Trachonomy. This agreement formalizes our commercial relationship to deploy Trachonomy's physical AI platform across the software businesses we acquire. I will discuss the commercial terms of this partnership in more detail following the financial review. Now I turn to the return of capital initiative. We are actively delivering on our commitment to return capital to IMBE shareholders. In November

2024, our board first authorized the $10 million stock repurchase program. In Q4 of 2024, we repurchased a total of 463,779 shares in the open market for approximately $1.9 million. In June 2026, alongside the asset sale announcement, the Board increased the size of INBE's stock repurchase authorization to $40 million, adding approximately $32 million to the roughly $8.1 million remaining under the original authorization. This increase reflects the Board's belief in INBE's intrinsic value and our priority to deliver tangible returns to shareholders. We resumed open market purchases in August 2026 and we repurchased 611,144 shares through September 30th for a total of $1.8 million. In total, since the stock repurchase program was first authorized in Q4 2024 through the end of Q3 2026, INVE has repurchased roughly 1.07 million shares in the open market for a total consideration of 3.7 million. On October 21st, we launched a $20 million modified Dutch auction tender offer for our common stock with a price range between $2.85 a share and $3.40 per share. This tender offer is to expire at 5 p.m. Eastern time on November 19th. With respect to the capital remaining under the share repurchase authorization, the Board remains fully flexible to evaluate the most accretive mechanisms post-tender close. These may include resuming open market share repurchases, special dividends, distributions, and or any strategic options. Importantly, our balanced capital allocation strategy ensures that we can fulfill our commitment to shareholders while preserving the liquidity and balance sheet flexibility required to fund our M&A activities and execute on our strategic plan. Our CFO, Ed Kirnbauer, will provide a detailed review of our Q3 financial performance and I'll return afterwards to share more on how we plan to execute our strategy for success as a physical AI SaaS operating company.

Ed Kirnbauer | CFO:

Thanks, Jim. In the third quarter of 2026, We delivered $3.1 million in revenue compared to $5.0 million in Q3 2025. The year-over-year decrease was as expected and due to lower unit sales of RFID transponder products. Net revenue for the third quarter of 2026 reflects only activity through September 15, 2026, the closing date of the asset sale to Trachonomy, and therefore is not comparable to the full prior year period. Third quarter gap and non-gap gross margins were 18.3% and 31.6%, respectively, compared to gap and non-gap gross margins of 10.7% and 19.1%, respectively, in Q3 2025. The primary factor driving the improvement in gross margin year-over-year was the transition of production to our Thailand facility. This resulted in cost savings and efficiencies achieved in procurement and production, improved facility utilization, and the elimination of manufacturing production costs associated with our discontinued Singapore operation. Gap and non-gap operating expenses for the third quarter of 2026, including research and development, sales and marketing, general and administrative expenses, and restructuring and severance, totaled $8.8 million and $4.0 million, respectively, as compared to $6.1 million and $4.5 million, respectively, in Q3 2025. The year-over-year increase in GAAP operating expenses was driven primarily by an increase in costs associated with the asset sale transaction that closed in Q3. The year-over-year decrease in non-GAAP operating expenses reflects our continued discipline in managing costs across the business. Third quarter GAAP net income was $0.6 million, or $0.02 per basic and diluted share, compared to GAAP net loss of $3.5 million, or $0.15 per basic and diluted share, in the third quarter of 2025. This improvement was primarily attributable to the gain recognized on the asset sale to Trachonomy of $6.1 million, higher strategic transaction-related costs year over year, and higher stock-based compensation expense related to the acceleration of unvested RSUs associated with the closing of the asset sale. Subsequent to our preliminary results, We recorded a net gain of $1.8 million on the dissolution of one of our foreign subsidiaries, which resulted in net income in the third quarter of 2026. Non-GAAP adjusted EBITDA loss for Q3 2026 was $3.0 million compared to a loss of $3.6 million in the third quarter of 2025. The improvement in non-GAAP-adjusted EBITDA loss was the result of disciplined control of our operating expenses while we executed on the company's 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 closed Q3 2026 with $87.1 million in cash, cash equivalents, and restricted cash, reflecting cash usage of $32.6 million during the quarter. Cash usage in Q3 included cash paid in the asset sale of $23.4 million, which is subject to adjustments in Q4 for working capital and other post-closing adjustments. Transaction-related payments of $2.2 million and purchases of our common stock

in the open market of 1.8 million. Our overall balance sheet remains strong, exiting the quarter with 81.4 million in working capital. A full reconciliation of our year-to-date cash flows will be available in our 10-Q filing. For reference, our complete balance sheet is included in the financial tables of today's earnings release. Finally, I would like to discuss capital allocation and Expectations for Cash Usage. Following the sale of our IoT business on September 15th, we currently have no commercial operating revenue. As a result, we will not be providing forward-looking revenue guidance at this time. INV Technologies is now transitioning to a new physical AI strategy focused on acquiring and integrating high-value enterprise software to drive our next phase of growth. To execute this strategy, we expect to allocate approximately $30 million towards targeted SaaS acquisitions. Our go-forward plan, beginning in 2027, will allocate approximately $12 to $15 million to fund operating expenses and public company compliance costs for an estimated three-year period. This concludes our financial review. I'll now pass the call back to Jim.

James Greenwell | Interim CEO:

Thanks, Ed. I'd like to spend the remainder of my remarks discussing the path forward for IMBE Technologies, covering our market opportunity, go-forward strategy, and our planned operating model. IMBE Technologies is moving in a focused, opportunistic direction. Our mission is to deliver real-time, verified intelligence for the most critical operational workflows. The thesis of our model begins with the core operational reality. Physical assets need a voice. Today, that voice is created by ground truth IoT sensor data measuring variables like temperature, humidity, moisture, G-force, and assembly line delay times. When physical world data feeds directly into intelligent software workflows, enterprise applications move beyond manual tracking into automated, transparent operating systems. Generative AI is changing enterprise workflow software. Traditional forms, checklists, and standalone SOP platforms are facing margin pressure because AI tools can automate routine administrative workflows very quickly. However, software alone cannot independently verify ground truth data in the physical world. Many systems still rely on manual data entry, self-reporting check boxes, and retrospective audit trails. In critical, highly regulated industries, manual attestation creates operational and regulatory liability. Regulators, insurers, and enterprise customers increasingly require continuous, tamper-evident physical proof. This is the purpose of physical AI and intelligent enterprise software. Software backed by verified real-time physical world data creates workflow transparency, retains pricing power, and drives long-term customer retention. Our strategic partnership with Trachonomy provides the foundation for our new physical AI strategy. Trachonomy orchestrates more than 20 million shipments daily for global enterprises across logistics, aviation, healthcare, defense, and retail in over 55 countries. Under our definitive strategic agreement, Trachonomy will serve as our advanced physical AI technology partner, providing the physical data engine, site infrastructure, and hardware deployment. This will allow our acquired software businesses to integrate Trachonomy's Sentient Platform smart BLE labels and sensors directly into their application under our strategic terms. This integration will create a structured data layer using verified real-world operational inputs, enabling our acquired SaaS businesses to launch premium physical AI offerings designed to expand existing customer values and improve margins. To execute this vision, we are actively pursuing acquisitions of established enterprise software companies to build an integrated operating platform. We're targeting businesses with durable recurring revenue, healthy gross margin, strong customer retention, and an underlying reliance on physical world verification. Our pipeline includes compliance and regulated sectors like worker safety, food safety, pharmaceutical logistics, and environmental monitoring, while expanding into broader enterprise software where physical custody and operating conditions dictate business outcomes. Acquired companies are expected to retain their brand identities, product roadmaps, and customer relationships. At the same time, INBE anticipates Centralizing corporate G&A, managing finance, legal, human resources, IT, and public company reporting at the corporate level. This is designed to remove administrative friction for our acquired companies and drive operating leverage. Our corporate development team is actively assessing target opportunities. We have established clear screening criteria and are evaluating small to mid-sized businesses across our priority vertical markets. We expect to fund acquisitions through a disciplined mix of cash and equity while maintaining flexibility to form strategic relationships when appropriate. Completing our first transaction remains a top priority. In

closing, as we look ahead to 2027, IMBE Technologies maintains strong fundamentals to execute our physical AI strategy for success. We have a debt-free balance sheet with cash for strategic acquisitions, an active capital return program underway, valuable equity ownership, and a strategic commercial partnership with Trachonomy. This focused operating strategy can scale our physical AI enterprise software platform. I want to thank our employees, our partners at Trachonomy, and our shareholders. for their continued support as we build INVE 2.0. With that, I'd like to open the call for questions. Operator, please open the question queue.

John | Conference Call Operator:

Certainly. At this time, we'll 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 2 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.

Unknown | Conference Call Operator:

Okay, this concludes the Q&A portion of the call.

John | Conference Call Operator:

I would like to turn the floor back to management for any closing remarks.

James Greenwell | Interim CEO:

Okay, thank you, operator. This concludes our comments for today. Thank you to everyone for joining.

John | Conference Call Operator:

This concludes INVE Technologies call, and you may disconnect your lines at this time. Thank you for your participation.