NASDAQ:IPWR Q3 2025 Earnings Call Transcript

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David Somo | President & CEO:

automotive I plan on leveraging my extensive commercial experience and relationships to drive revenue growth in our target markets revenue is a priority I'm sure you are wondering what I plan on doing or what you should expect from me having joined ideal power just last week I'm spending time getting my hands on the details of the business during the next several weeks I will be listening closely to feedback from our customers distributors and suppliers, and the outstanding team here at Ideal Power. Because I'd like to be highly visible with customers, both existing and prospective, I'll be meeting with them to understand their priorities, opportunities, and requirements, and listen to their feedback about our technology and their applications. I'll review our opportunities, progress, roadmap, and strategic initiatives. Those discussions will deepen my understanding of our business and enable me to fine tune our vision and strategy going forward, building on the strong foundation that is in place today. Upon completion of that process, I anticipate scheduling a call and webcast to share more detailed information and discuss certain topics in greater depth, including my perspective for product commercialization. Before setting expectations, I want to take the necessary time to thoroughly understand the current state of our business. As an organization, we will strive to execute in all aspects of the business with rigor, discipline, and a strong sense of urgency. We will endeavor to execute on what we communicate and not put ourselves in a position to have to reset expectations. It goes without saying that this is important to establishing and maintaining credibility. One thing is abundantly clear. With a strong foundation in place from which to drive our future growth, I'm not going back to the drawing board. We're well-positioned to drive long-term value creation for our customers, suppliers, employees, and stockholders. In closing, I look forward to partnering with Tim Burns, our CFO. I'd like to recognize the entire team for the third quarter progress and results. I'd also like to thank my predecessor, Dan Bergar, for assisting with the transition and providing a strong foundation for our growth. I'm thrilled to be joining Ideal Power at a time when the company has such exciting opportunities ahead. Now, I'd like to turn the call over to Tim Burns to discuss our recent progress.

Tim Burns | Chief Financial Officer:

Tim? Thank you, David, and good morning, everyone. Since David just started last week, I'll share an update on our progress since the start of the third quarter. First, we secured a purchase order from Stellantis in late August for custom development in packaged B-Tran devices targeting multiple electric vehicle applications. We successfully completed our first of five deliverables under the purchase order in late September. The remaining deliverables are expected to be completed next year. Second, we expect Stellantis to award us with a multi-year EV contactor program. As part of the program scope, Stellantis has told us they want to install BTRAN-based contactors in Stellantis test vehicles potentially as early as late 2026. We'll know more about the scope and timing specifics as we work through the program details with Stellantis in the coming months. This program has broad and substantial potential as Stellantis recently shared with us that they are evaluating the deployment of V-TRAN based contactors across all of their EV models and platforms. Third, we are engaged in early discussions with the sixth global automaker. This automaker is evaluating V-TRAN for next generation high voltage EV power switching and protection applications where bidirectionality and low conduction losses enable more compact, reliable, and efficient vehicle and charging architectures. We will share further updates on this opportunity as the engagement progresses. Fourth, our first DesignWin customer has successfully completed testing of the updated solid-state circuit breakers that we provided them during the third quarter. We're currently working with them on the finalization of their product design as they prepare for and the customer sampling and production. Fifth, we shipped additional solid state circuit breaker reference designs to large potential customers, including a global power management market leader

in Asia. Reference designs are an important part of our commercialization strategy, as vTRAN is a new technology, and customers are eager to get hardware in their hands that demonstrates the advantages of vTRAN in their target applications. Sixth, we increased the power rating of our discrete V-TRAN product by 50% and commenced shipment of these devices with a higher power rating and power density. This development has sparked greater interest from both existing customers and new prospects in our sales pipeline as it aligns well with the market moving to higher power architectures for many applications. Seventh, we continue to expand our global reach, adding our first direct salesperson in Asia. He's already conducting face-to-face meetings with current and prospective customers. Interest in B-Tran is growing across Asia, which is the world's largest market for power electronics. We're excited about the opportunity for B-Tran in this region as Asian companies typically adopt new technologies faster than their European and American counterparts. Eighth, third-party automotive qualification and reliability testing of B-TRAN devices is well underway with more than 1,000 packaged B-TRAN devices from multiple wafer runs. Early test results are positive with zero failures to date. As a new semiconductor device without a long operating history, third-party reliability testing and the data it generates is key for both industrial and automotive customers as they evaluate and adopt B-TRAN for their applications. Moving on to the initial market for B-TRAIN, the industrial markets, and in particular, solid-state circuit protection for data centers, microgrids, industrial facilities, and grid infrastructure. Our first design wind customer is one of the largest circuit protection equipment manufacturers in Asia, serving data centers, industrial and utility markets, and renewable energy applications. As we have previously mentioned, and based on the first DesignWin customer's projections, the initial product from this customer could translate to several hundred thousands of dollars of revenue for ideal power in its first year of sales, with the opportunity to exceed a million dollars in revenue for us in the second year of sales. Importantly, this marks only the beginning. The initial product is anticipated to be the first of multiple products from this customer that will incorporate B-TRAN into solid-state circuit breakers. This customer provides a variety of circuit breaker products across various power ratings and is expected that they could expand their portfolio to add a full family of solid-state circuit breakers at ratings similar to their current family of electromechanical breakers. Discussions of other BTRAN-enabled solid-state circuit breaker products has already started, and our team recently built the solid-state circuit breaker prototype with a higher rating to share with this customer. Looking briefly at innovation, we increased the power rating of our discrete B-TRAN product by 50% in commencement shipment of these devices with a higher power rating and power density. This development has sparked greater interest from both existing customers and new prospects in our sales pipeline. Our approach to power ratings of our products is deliberately cautious, an approach that has been well received by our customers as we bring new solutions to their markets and applications. As we accumulate more testing hours and go through additional reliability testing, including the ongoing third-party automotive qualification testing, we're finding that we have more than ample margin in our design to increase the power rating of our products. Elevated product ratings will expand our SAM to include additional applications. It will also strengthen our product's competitiveness in the marketplace as it translates to smaller, lower-cost OEM products for customers to choose B-TRAN as their power semiconductor solution. We previously mentioned that orders near-term are not dependent upon the successful completion of automotive qualification. However, achieving third-party automotive qualification would provide additional confidence among industrial customers regarding V-TRAN's long-term reliability. It would also provide evidence of the device's reliability under extreme conditions, such as high humidity and temperature, which exceeds typical industrial application requirements. Additionally, given that engineers tend to be cautious when adopting new technologies, Achieving automotive qualification could help accelerate the adoption of BTRAN-based products by early adopters in our initial target industrial markets. Our BTRAN patent estate continues to grow. Currently, we have 97 issued BTRAN patents with 47 of those issued outside the United States. Our patent coverage spans North America, China, Taiwan, Japan, South Korea, India, and Europe, all representing our high-priority patent coverage geographies. As a result of our continued innovation, our list of pending B-Tran patents is now at 73. To safeguard our intellectual property further, we treat the proven double-sided wafer process flow we developed to make our devices as a trade secret and do not disclose the identity of and work under strict confidentiality with our wafer fabrication partners. So even if a competitor studied our patents, they wouldn't have the know-how to fabricate the device. Next, I'll discuss our financial results. Our third quarter 2025 cash burn from operating and investing activities was $2.7 million, up from

$2.4 million in the third quarter of 2024, and up from $2.5 million in the second quarter of this year. Our Q3 cash burn was at the lower end of our guidance of $2.7 to $2.9 million. Our cash burn from operating and investing activities for the first nine months of 2025 with $7.4 million, up from $6.6 million in the first nine months of 2024. We continue to manage expenses prudently and aggressively. We expect fourth quarter 2025 cash burn to be approximately $2.5 to $2.7 million, with a full year 2025 cash burn of approximately $10 million. This compares to a 2024 cash burn of $9.2 million, excluding the benefit of warrant proceeds. The higher forecasted cash burn in 2025 compared to 2024 is due to increased semiconductor fabrication spending and hiring. Cash and cash equivalents totaled $8.4 million on September 30, 2025. We have no debt and a clean capital structure. We recorded modest revenue for the third quarter of 2025 as customers continue to evaluate our technology. Initial orders from the large companies evaluating our products for potential inclusion in their OEM products will be small with order sizes increasing as customers start to prototype their OEM products, progress through their design cycles, and build inventory for the rollout of their B-Tran-based products. Operating expenses were $3 million in the third quarter of 2025 compared to $2.9 million in the third quarter of 2024 with the increase due to higher wafer fabrication costs at our second foundry. We expect operating expenses to increase modestly in the coming quarters due to recent and future hiring and costs associated with our development and commercialization efforts. We also continue to expect some quarter-to-quarter variability in operating expenses, particularly our research and development spending, due to the timing of semiconductor fabrication runs, product development, other research and development activities, and hiring. The timing of equity grants and related stock-based compensation expense recognition will also cause variability in our quarterly operating results. Net loss in the third quarter of 2025 was $2.9 million compared to $2.7 million in the third quarter of 2024. Considering our asset-wide business model, no debt, and modest planned cash burn, we have sufficient liquidity on our balance sheet to fund operations through at least mid-2026. We'll potentially see several sources of funds over the next year, such as product sales, development agreements, and other commercial agreements with upfront payments. Additionally, we are exploring strategic relationships with our well-capitalized and large global partners with these opportunities strengthening as we further advance these customer relationships. As a publicly traded company, we also have access to the capital markets as necessary, providing us with additional financial flexibility. At the end of September, we had 8,511,403 shares outstanding, 824,760 options and stock units outstanding, and 653,827 pre-funded warrants outstanding. At September 30th, 2025, our fully diluted share count was 9,989,990 shares. In summary, we are thrilled to share that our first DesignWin customer has successfully completed testing of the updated solid-state circuit breakers and are now finalizing their product design as they prepare for end customer sampling and production. We're also delighted to announce that not only securing the purchase order from Stellantis for custom development and packaged B-Tran devices targeting multiple EV applications, but also completing our first of five deliverables under this purchase order. Overall, it is an exciting time at Ideal Power, and I look forward to working with David to capture the significant market potential for B-Tran as an ultra-well loss and bidirectional power semiconductor. At this time, I'd like to open up the call for questions. Operator?

Operator | Conference Call Operator:

Thank you. At this time, we are conducting a question and answer session. Investors can submit their questions within the meeting webcast by typing them into the Q&A button on the left side of your viewing screen. Analysts who publish research may ask questions on the phone line. For analysts to ask questions on the phone line, please press star 1 on your phone keypad. For anyone using speakerphone, we ask that you please pick up your handset before you press the keys. Please wait a moment whilst we poll for questions.

Casey Ryan | Analyst, West Park Capital:

thank you our first question is coming from casey ryan of west park capital casey your line is live uh thank you good morning gentlemen david welcome it's great to have you on board tim thank you for this good update um so i just wanted to start with um generally automotive it feels like the opportunities are with ev platforms and the growth of of those platforms um generally. And so I just want to sort of confirm that for myself before we go a little further.

David Somo | President & CEO:

Yeah, thanks, Casey. Glad to be on the call and appreciate the question. So automotive is one of multiple markets that we're able to sell our products into where it has a strong fit to the applications requirements. As you understand, automotive is also one of the longer development cycles and projects are typically multi-year programs. So we continue to work to, I would say, move from the initial engagement through continued evaluation, where we've made progress now in delivering enhanced products to our customers. We've continued multiple stages of the development programs, and each of those is a necessary step in moving towards completing R&D evaluation of the products and qualification and moving into series engineering and eventually landing into vehicles on the EV side.

Casey Ryan | Analyst, West Park Capital:

Okay, terrific. And then sort of on that EV track, what's driving the automakers to look for better solutions than say what they have currently or what they've had previously because generally they must be facing some limitations with sort of existing solutions. Is it battery density or the power of the amount of electronics per vehicle? And I'm sort of happy for it for ideal power, but I'm curious what sort of driving it and what sort of barriers they're running into with sort of their current solutions. And of course, you guys are bringing a better solution to market.

David Somo | President & CEO:

Sure. Well, one of the fundamental trends in power electronics is a move to higher power architectures. And one of the fundamental ones in EV architectures is the adoption of 800-volt main battery systems, which is driving redesign of the overall architecture and fraction inverter, charging systems, contactors, battery disconnect units, and so forth. So that's what's the reason for continuing to evaluate technologies that provide higher power efficiency, improved power density, and manage the cost.

Casey Ryan | Analyst, West Park Capital:

Okay, terrific. And then sort of quickly on like charging stations, which I think is also a potential market for ideal power, I think charging stations are also moving to 800-volt systems, right, which might cause the same sort of trend where people would be interested in your solution.

David Somo | President & CEO:

Yeah, fast DC charging stations actually continue to increase the power to multiple kilovolts, get partitioned out across multiple terminals. So it does present an opportunity for us. Also, in some instances, particularly home charging, there's bidirectionality involved where you can feed into the battery pack and then off-hours feed out from the battery pack back in to district power. So that's unique to the design of our B-Train technology.

Casey Ryan | Analyst, West Park Capital:

Okay, terrific. That's really helpful. And then I wanted to ask about the Asian – I think power management company is what we're talking about them as a customer. So it sounds like, and Tim, you said sort of a couple hundred thousand dollars might be kind of a target range for potential revenues in year one. But what I wanted to ask was, is the product currently available for sale, you know, hypothetically today, or will it start to go on sale to the commercial market sometime in 26th?

Tim Burns | Chief Financial Officer:

Yeah, so it's not currently for sale. So they're finalizing their product design. We're working with them to do that right now. I don't know the specific timing, whether it will be here later this year or whether it will be next year. That's something we can cover here when we have the update call. in terms of timing, but they have the updated prototypes. They've completed testing. It was successful, so those prototypes look good, and we're just waiting for them to share a little bit more on their timing specifics as it relates to their rollout plan.

Casey Ryan | Analyst, West Park Capital:

Yeah, well, I mean, from my perspective, what's significant, right, is going from concept to testing to sort of turning into a commercial product. Having completed that cycle, I think, is really impressive, so... That's it for me right now. Thank you for the terrific update.

Tim Burns | Chief Financial Officer:

Thanks, Casey. Appreciate it.

Operator | Conference Call Operator:

Thank you very much. I will now turn this call back to Jeff Christensen to read questions submitted through the webcast. Thank you.

Jeff Christensen | Vice President, Investor Relations:

Thank you, Jenny. Gentlemen, the first submitted question is, any additional context around the CEO transition? Is this something that was planned for?

Tim Burns | Chief Financial Officer:

So, yes, Dan's retirement was planned. There was an extensive search that was conducted and led by our board that Dan was involved with to identify our next CEO. And that resulted in us bringing David on board. And I'm actually really excited, particularly because of his vast experience in semiconductors and commercial expertise, that it's a great time to bring him on because I think it will really help with what obviously is our priority and what's on investors' mind in terms of revenue generation.

Jeff Christensen | Vice President, Investor Relations:

Thank you. Our next submitted question is, how do you see the markets evolving? And this is a question for David. How do you see the markets evolving, including data centers, industrial, and automotive? And what are you most excited about with ideal power opportunities?

David Somo | President & CEO:

Okay, so Casey alluded to part of this question, but I'll give a more thorough answer here. Our BTRAN-enabled solutions, from my perspective, it's Excel and high-power applications delivering lower conduction losses for improved power efficiency, smaller system size for improved power density, bidirectionality, and enabling lower systems cost. Power levels have continued to trend up, as I mentioned a moment ago, across these applications, including the AI data center, which is now planning a move to 800-volt rack architectures, commencing sometime in 2027. Automotive EV with the adoption of 800-volt battery systems and fast DC charging terminals, as well as other industrial infrastructure applications as the power grid is enhanced to support these growing applications. In addition, grid-to-system and system-to-grid power transfer requires bidirectionality, where there is also a growing trend to migrate from electromechanical to solid-state semiconductor-enabled systems. Each of these major technology trends involve applications such as circuit breaking and protection, UPS, and battery disconnect system, among others, that VTRAN solutions excel at enabling. So in summary, we could see a continued trend towards higher power levels across these multiple applications, looking for improved power efficiency, improved power density, and managing costs that are all strong fit for our BTRAN technology.

Jeff Christensen | Vice President, Investor Relations:

Thank you. Our next submitted question is, do you expect the initial sales ramp and milestones to be achieved within 2025?

David Somo | President & CEO:

So having been in the seed here a total of eight days, I'm currently spending my time deepening my understanding of the details of our business. Once I've been through that process, including the opportunity for face-to-face meetings with key customers to understand thoroughly the details of the engagements that we have with them. I anticipate scheduling a call and webcast to share more detailed information and discuss certain topics in greater depth, including my outlook for product commercialization. Revenue is a priority, and I plan on leveraging my go-to-market experience achieved in my 30-plus years in semiconductors across many end sectors and customers to drive revenue growth in our target markets.

Jenny | Webcast Moderator:

Thank you.

Jeff Christensen | Vice President, Investor Relations:

We have several investors that have submitted questions, and please submit your questions using the Ask a Question button. And as you think of questions, submit them. You don't need to accumulate all your questions and submit it at one time. Our next submitted question is, what is Ideal Power doing to expand the sales pipeline?

David Somo | President & CEO:

Yeah, so as discussed in our prepared remarks and shared by Tim, we have added direct sales in Asia and are already conducting meetings with current and prospective customers. We're excited about the opportunity for B-Tran in the region as Asian companies generally adopt new technologies faster than their North American and European counterparts. While we continue to expand the sales funnel, we have a strong focus on closing many opportunities available to us from current customer engagements. So having the additional sales capability on the ground in Asia is important to us, and we view it as a market that can actually move faster in adoption of new technology than some of the others.

Jenny | Webcast Moderator:

Thank you.

Jeff Christensen | Vice President, Investor Relations:

How would you compare B-TRAN to competitors, including silicon and silicon carbide solutions?

David Somo | President & CEO:

Yes, I think about it in this way. B-TRAN has two significant advantages. First, it has ultra-low conduction losses, leading to higher power efficiency and improved power density. And second, it's bidirectional. These advantages translate to more power efficient and compact customer products at lower cost compared to alternative silicon and silicon carbide power solutions that are in the market today.

Jeff Christensen | Vice President, Investor Relations:

Okay, thanks. Can you provide us with any additional information on Tier 1s and OEMs besides Stellantis and the automotive?

David Somo | President & CEO:

Yeah, so we're engaged with several automotive OEMs and Tier 1 suppliers, as we've previously said. Prospective customers are considering a range of applications that include power switching, EV contactors and battery disconnect units, charging systems, and inverters. With automakers increasingly moving to the 800-volt architectures, as I talked about earlier in my comments, the opportunity for us in this market is expanding. At this point, it also seems likely there'll be a replacement of electromechanical contactors with solid-state solutions in EVs.

Jenny | Webcast Moderator:

Okay, thanks.

Jeff Christensen | Vice President, Investor Relations:

Our next submitted question is, when mentioning EVs with Stellantis, is either the drivetrain or contactor program likely to be included in hybrids?

Tim Burns | Chief Financial Officer:

Yeah, the way that this program is really focused on electric vehicles, but our technology would bring the same benefits to hybrid electric vehicles. So we're obviously engaged with several global automakers, several tier one automotive suppliers. I assume once we start getting adopted in EVs, hybrid is also a natural extension of that. So there's definitely an opportunity there for B-Trend.

Jeff Christensen | Vice President, Investor Relations:

Thank you. Our next submitted question is a long one. is uh just just understand you upgraded the power rating to 75 amps you stated in the release that this maintains a significant design margin to a tested long-term continuous basis of 150 amps what does that mean how would you would you at some point time increase to 150 amps or would you have to test it at above that at a safe design margin is there a standard margin that the industry uses and how does the 75-150 margin fit within the standard?

David Somo | President & CEO:

Sure, so I'll take that one. You can think about it in the following manner. Increasing our power rating enables customers to evaluate our B-TRAN solutions for a wider range of applications, as well as increase the power rating while lowering conduction losses of existing applications in their current designs. There isn't a specific industry guideline for safe design margin. However, we remain very conservative in rating the device at 75 amps, and we've tested it up to 150 amps. We want to ensure that we're providing the proper safety margin to our customers, and that varies by customer and by applications. But I would say that we have sufficient headroom to continue to scale the device up for higher power solutions as the trend continues in that direction.

Jenny | Webcast Moderator:

Thank you.

Jeff Christensen | Vice President, Investor Relations:

Our next submitted question is, please provide any color on where we stand with manufacturing.

Tim Burns | Chief Financial Officer:

Yeah, so we have two foundries. As we've mentioned, one of them is in Europe, one of them is in Asia. We've been working with the Asian foundry for a little bit longer than we had the European foundry, so I'd say they probably are still ahead of the European foundry in terms of things like yield. But we're comfortable that we could utilize devices from either one for end product sales to customers. And we also have a great relationship with two packaging houses, one that we're using, please, primarily for production. That's actually in Asia and one here in the U.S. that we also continue to do some development work with that we could use for production if necessary, for instance, if we received a government program that required U.S. manufacturing. So, overall, I think we're in really good shape. Right now, it's just about commercializing the technology.

Jeff Christensen | Vice President, Investor Relations:

Thank you. Our next minute question is, what are the main barriers to closing sales?

David Somo | President & CEO:

Introducing D-Tran, with it being a new semiconductor technology and device structure, begins with educating the customers. Engineers are generally familiar with IGBTs and MOSFETs, but D-Tran features innovative and distinct architecture that functions differently from traditional semiconductor devices. So to help our prospective customers evaluate our products for their applications, we provide evaluation kits and reference designs to simplify this undertaking. Additionally, engineers often adopt a cautious approach, which can extend the evaluation period. Achieving automotive qualification, as we mentioned during our prepared remarks, will help to speed up adoption by demonstrating the technology's proven long-term reliability for their applications.

Jeff Christensen | Vice President, Investor Relations:

Thank you. Our next question is, how should investors think about tariffs and trade policies on ideal power?

Tim Burns | Chief Financial Officer:

Yeah, we continue to see that the tariff situation is very fluid, but we anticipate minimal impact on our operations from tariffs in place today. And notably, power semiconductors are often exempt from any of these tariffs, which really limits the potential effect on us. While the situation continues to evolve, we're confident that we're well positioned to manage and mitigate the impact of future tariff changes, trade policy shifts, and also supply chain disruptions.

Jenny | Webcast Moderator:

Thank you.

Jeff Christensen | Vice President, Investor Relations:

That concludes our question and answer session. I'd like to turn the call back over to David Somo for closing remarks.

David Somo | President & CEO:

Thank you, Jeff. I want to thank everybody for participating in today's calls and for the good questions. As I mentioned earlier, we anticipate scheduling a call and webcast in advance of our year-end results call to share more detailed information and discuss some of the topics explored today in greater depth. Operator, you may end the call.

Operator | Conference Call Operator:

Thank you. This concludes today's conference. All parties may disconnect and have a great day.