NASDAQ:IPWR Q4 2025 Earnings Call Transcript

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Holly | Conference Operator:

Good morning, ladies and gentlemen, and welcome to the Ideal Power fourth quarter and full year 2025 results conference call. At this time, all participants are in a listen-only mode. At the end of management's remarks, there will be a question and answer session. Investors can submit their questions anytime 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 one on your telephone keypad. As a reminder, this event is being recorded. I would now like to turn the conference over to Jeff Christensen. Please go ahead.

Jeff Christensen | Head of Investor Relations:

Thank you, Holly, and good morning, everyone. Thank you for joining Ideal Power's fourth quarter and full year 2025 results conference call. On the call with me are David Somo, President and Chief Executive Officer, and Tim Burns, Chief Financial Officer. Ideal Power's fourth quarter and full year 2025 results press release is available on the company's website at idealpower.com. Before we begin, I'd like to remind everyone that statements made on the call and webcast, including those regarding future financial results and company prospects, are forward-looking and may be subject to a number of risks and uncertainties that could cause actual results to differ materially from those described in the call. Please refer to the company's FCC filings for a list of associated risks. We would also refer you to the company's website for more supporting company information. Now I'll turn the call over to Ideal Power's President and Chief Executive Officer, David.

David Somo | President and Chief Executive Officer:

Thank you, Jeff. I appreciate everyone joining us today. As you know, we laid out our strategy, commercial opportunities, priorities, and expectations on our recent business update webcast call. It's a plan designed to accelerate commercialization and deliver increased value to our shareholders and our customers. Now that we have set out a clear path, our focus is on disciplined execution. I won't repeat what I shared on our business update webcast call. Instead, I'll discuss our progress since the start of the fourth quarter. Afterwards, I'll turn things over to Tim to discuss our financial results. We look forward to your questions after our remarks. First, we announced a multi-year strategic cooperation agreement with Lazen for the design, development, and worldwide sales of a portfolio of VTRAN-enabled circuit protection products. Think solid-state circuit breakers, battery disconnect units, and EV contactors. Their first VTRAN-enabled solid-state circuit breaker is expected to target AI data center customers. Other potential products include SSCBs for the intelligent grid, renewable energy and energy storage systems, and EV charging infrastructure, along with contactors and battery disconnect units for EVs. For those of you not familiar with Lazen, they are a publicly traded, leading circuit protection solutions provider and systems integrator in Asia that is becoming increasingly focused on expanding into the North American and European markets. Second, we signed a letter of intent with a leading power module manufacturer in Asia to develop and offer a family of DETRAN-based power modules for sale to their customers. This customer already provides a portfolio of IGBT and silicon carbide modules. They see compelling value in BTRAN and are interested in developing differentiated and customized BTRAN-enabled solutions due to its inherent competitive advantages in a variety of end-use applications. Third, we continue to advance our relationship with Stellantis, including executing on our existing purchase order for custom development and packaged DTRAN devices for EV applications. We completed the first of five deliverables under this PO in the second half of 2025. We expect

to complete the remaining four deliverables by mid-2026. That includes the delivery of custom packaged DTRAN devices and reference design kits for the testing and evaluation in EV applications. We also remain engaged with Stellantis on a potential development program for EV contactors. Our BTRAN patent estate continues to grow. Currently, we have 100 issued BTRAN patents with 48 of those issued outside of 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 BTRAN patents is now at 78. 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. In addition, to minimize the potential for infringement, we exclusively work with foundries and packaging houses in countries that have a history of respecting intellectual property rights. I want to close by detailing the strategic priorities for the company. First, continuing to add new opportunities to the sales funnel. We have a good start today with nearly 200 million of potential sales opportunities identified. but need to continuously expand the sales funnel with new engagements and opportunities. Our opportunities are global, and we added a sales leader in Asia late last year and expect to add a sales leader in Europe and a field applications manager in Asia in the near term to support the global commercialization of VTRAN. Drive initial revenue ramp by converting sales opportunities in the funnel to design-ins and custom development agreements on the earliest possible schedule. It is not just about expanding our sales funnel. It is even more important that we execute and advance qualified opportunities through the funnel to production orders and revenue. Secure production orders with LASN for their first BTRAN-enabled solid-state circuit breaker product and expand our strategic cooperation with LASN to include solutions to address additional markets and applications. Complete the remaining deliverables under the Stellantis purchase order and continue to advance opportunities for EV contactors and battery disconnect units with Stellantis and other global automakers and Tier 1 suppliers. Continue exploring strategic investment opportunities with global market leaders. We are engaged with a small number of global market leaders on potential strategic investments. Strategic investors are typically motivated by two factors. First, new and innovative technologies that best solve customer solutions challenges related to market shifts. For example, the transition from AC to 800-volt DC data center power distribution systems. Second, providing additional resources and development support to guide and accelerate the commercialization of new technologies that are of significant interest to their business. While these investments take time, They offer significant validation and alignment of interest with customers. Now, I'd like to hand the call over to Tim Burns to review our financials. Tim?

Tim Burns | Chief Financial Officer:

Thank you, David, and good morning, everyone. I'll begin by summarizing our recent capital raise. We raised $12.6 million in estimated net proceeds from a public offering and concurrent private placement that closed on February 25th. The offering included common stock and pre-funded warrants. Pre-funded warrants are common stock equivalents included in a company's weighted average shares outstanding for EPS calculations, but not included in shares outstanding if they do not have voting rights until exercised. For those of you unfamiliar with pre-funded warrants, they are not what you think of when you have to add warrant coverage to a deal. The pre-funded warrants were effectively paid for except for the par value of a fraction of a Senate closing rather than a sweetener added on top of common stock for little or no additional consideration. We are excited that the financing was led by the company's largest existing institutional shareholders, with participation from ideal power insiders, including our CEO. The offering strengthened our balance sheet. Post-offering, we still have a clean capital structure and no debt. Our fourth quarter 2025 cash burn was $2.2 million compared to $2.6 million in the fourth quarter of 2025 and $2.7 million in the third quarter of 2025. Our Q4 cash burn was well below our guidance of $2.5 to $2.7 million. Our full year 2025 cash burn was $9.6 million compared to $9.2 million in the full year 2024. our full year 2025 cash burn was below our guidance of approximately $10 million. We continue to manage expenses prudently and aggressively. We expect first quarter 2026 cash burn to increase to approximately $2.6 to $2.8 million, with a

full year 2026 cash burn of approximately $10.5 million, with the year-over-year increase primarily due to planned 2026 hiring, including expanding the direct sales team, as David had mentioned. This compares to a 2025 cash burn of 9.6 million. Cash and cash equivalents totaled $6.1 million at December 31st, 2025, which does not include the $12.6 million of estimated net proceeds from our recent capital raise. We did not record revenue in the fourth quarter of 2025. Initial orders from the companies valuing our products for potential inclusion in their OEM products are expected to be small, with order sizes increasing as customers progress through their design cycles, perform product qualification, and build inventory for the commercialization of their BTRAN-based products. Operating expenses were $1.9 million in the fourth quarter of 2025 compared to $2.8 million in the fourth quarter of 2024 driven primarily by lower stock-based compensation expense and personnel costs. The lower stock-based compensation included the forfeiture and modification of certain equity awards in connection with the retirement and transition services agreement the company entered into with our prior CEO. Due to the accounting rules around equity award modifications, the company expects significantly higher stock-based compensation in the first quarter, tapering off in the second quarter. We 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, as well as hiring. The timing of equity grants and related non-cash stock-based compensation expense recognition will also cause variability in our quarterly operating expenses. Net loss in the fourth quarter of 2025 was $1.9 million compared to $2.6 million in the fourth quarter of 2024. Net loss in the full year 2025 was $10.6 million compared to $10.4 million in the full year 2024. At the end of December 2025, we had 8,537,387 shares outstanding, and our fully diluted share count was 10,565,023 shares. Upon closing of our recent capital raise, it is detailed in the final prospective supplement we filed with the SEC on February 25th, we had 12,089,289 shares outstanding, 2,238,040 pre-funded warrants outstanding, and 1,486,955 stock option and stock units outstanding for a fully diluted share count of 15,814,384 shares. At this time, I'd like to open up the call for questions. Operator?

Holly | Conference 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 telephone keypad. Please hold while we poll for questions.

Holly | Conference Operator:

Your first question for today is from Casey Ryan with West Park Capital.

Casey Ryan | Analyst, West Park Capital:

Hey, good morning, gentlemen. This is a good segue as we exit 25 and look forward to 2026. Tim, thanks for the breakdown on the operating expense line. I think that was going to be my first question. You talked about R&D being tied to production, you know, sort of delivering samples to customers. What's the view on SG&A? And I'm just sort of, you know, thinking up from 4Q, but maybe, you know, looking back, typically it's been, you know, 300,000 kind of has been the number. Is that sort of a good range to think about for 26, or will that also vary quite a bit?

Tim Burns | Chief Financial Officer:

Yeah. On a cash basis, it will not vary, right? So the only thing that could cause variation really is stock-based compensation expense. Okay. but we're expecting actually to keep G&A relatively flat. It may be up low single digits in terms of percent, but our goal is to keep G&A flat through the year.

Casey Ryan | Analyst, West Park Capital:

Okay. Terrific. That's very helpful. And then, you know, I feel like the opportunities with Lazen sound exciting and encouraging for sure. Can you tell us a little bit about where they use your product? Will that typically be new builds and new products or is there actually sort of a retrofit and maybe like upgrade and repair kind of opportunity given that it's a better solution than what might already be in the field in some locations yeah so i'll take that one casey lazin has a portfolio of what are the older style mechanical breakers and those are deployed in a variety of different applications

David Somo | President and Chief Executive Officer:

They're developing their solid-state circuit breaker portfolio now and building that out, and that's where we have the opportunity to participate in a portfolio of products from them, starting with areas like solid-state circuit breakers and static transfer switches that can go into the first target for them in data centers, and then also renewable energy, battery energy storage systems, and grid applications. So that's likely to be the first in markets for their portfolio of the solid state circuit breakers they're developing where we have an opportunity to participate with them with P-TRAN.

Casey Ryan | Analyst, West Park Capital:

Okay. And then just to the extent that you know the process, do you think data centers, when we talk about the transition to the power systems, are those also like greenfield, meaning it's a whole new building, or is it possible that an existing data center could be fully retrofitted, and so it would be new from the standpoint of how it operates inside its four walls, but maybe its location might not be new.

David Somo | President and Chief Executive Officer:

Yeah, interesting question, because primarily we're focused on new greenfield build-outs, but I also think there are some opportunities for brownfield, particularly as you have data centers stood up that are 400-volt, single-phase AC, three-phase AC, and if they're going to adopt the new NVIDIA platforms with the drive power distribution systems to 800 volt, then there is a need to replace the infrastructure across the data center. So I think both are possible. Certainly Greenfield is all new opportunity, and there will likely also be some brownfield.

Casey Ryan | Analyst, West Park Capital:

Okay. Terrific. Terrific. And then I was trying to jot this down, but you mentioned in 2026 you guys have, I think, four or five milestones with Stellantis that you're you know, planning on achieving, which is terrific. I'm just curious if you could qualify the nature of those. Like, are those, you know, tasks and accomplishments that the ideal power team can drive? Or in some cases, are you, you know, gated because they're dependent on some process over at Stellantis? I'm just wondering how much is in your control, sort of just in terms of we need to execute A, B, C, D.

Tim Burns | Chief Financial Officer:

Yeah, so overall there were five deliverables. One of them we completed late last year. So there's four remaining deliverables. Under that PO is custom development work. So it's custom packaging for the device. So there's two variants of packaging that they want us to deliver as well as just some reference design kits so that they can evaluate the technology further in the applications that they're looking at. So those are the four deliverables. They are completely within our control. And we expect to complete those by mid-26.

Casey Ryan | Analyst, West Park Capital:

Yeah, that's terrific, Tim. Thank you. Listen, I think between, you know, today and the update last week, I think we have a good sense of what's possible for 26. So thanks for the terrific update. And we'll look forward to the rest of the year making progress. Thank you.

Tim Burns | Chief Financial Officer:

Thanks. Appreciate it, Casey.

Casey Ryan | Analyst, West Park Capital:

Thank you.

Holly | Conference Operator:

I will now turn the call back to Jeff Christensen to read questions submitted through the webcast.

Jeff Christensen | Head of Investor Relations:

Thank you, Holly. And I wanted to mention that the business update webcast call is available. The link to it is available on our investor relations web page. I encourage you to watch it. Our first question, gentlemen, is what product development work is still required by investors ideal power to match the product line with customer needs?

David Somo | President and Chief Executive Officer:

Yeah, so our current B-Tran product, the first-gen product that we have today and have been widely sampling the customers, meets the target applications that we have prioritized for accelerating our commercialization. So that includes areas like the solid-state circuit breakers, static transfer switches, EV contactors. Certainly no further modifications required at a device level. Where we're spending our time with customers now is really on their specific product development, where we're working with them to incorporate VTRAN from optimizing drivers in the power supply circuitry to thermal solutions to fit into their enclosures and so forth, working with our device. So really, the products are set for initial applications that we've targeted, and it's more working with the customer through their product development now.

Jeff Christensen | Head of Investor Relations:

Thank you. The next submitted question is what are the main hurdles to cross the sizable orders?

David Somo | President and Chief Executive Officer:

Yeah, first and foremost, we need to work with the customers to complete their product development and qualifications. Once they have that design complete and they've got their qualification package for things like solid state circuit breakers that they can deliver to their customers. And then it's really on our customers to go win the business at their end customers. So getting to those sizable orders requires getting through the product development qualification with our customers, them going to their customers, introducing the products as part of their sales process, and then having the customers adopt those systems and start to scale out and build.

Jeff Christensen | Head of Investor Relations:

Thank you. The next question, on the possible strategic partners, what do these partners need to see in order to make a decision?

David Somo | President and Chief Executive Officer:

Yeah, part of this is they'll need to evaluate and confirm that BTRAN advantages can best solve the design challenges that they're seeing in systems requirements. So as they consider how to best meet some of the needs of end customers with the systems they're developing, they'll want to confirm that BTRAN best provides the advantages to solve some of the challenges that they have. That then can... move them forward with the strategic partner engagement.

Jeff Christensen | Head of Investor Relations:

Thank you. We've had several submitted questions, and we encourage you to click that Ask a Question button. Our next question is, are there opportunities for NRE revenue in 2026?

David Somo | President and Chief Executive Officer:

The short answer is yes on that one. As we work across many different customers and have discussions with them, Where there are opportunities for some custom developments, similar to what we've done with Stellantis or other customers who may want something either a bit different or want additional engineering support on the development of their products, that would present NRE revenue opportunities for us.

Jeff Christensen | Head of Investor Relations:

Thanks. What ideal power solutions will drive the earliest revenue?

David Somo | President and Chief Executive Officer:

Yeah, here again, if I look at it from a product perspective, it'll be things like solid-state circuit breakers and static transfer switches that are used in markets that adopt new technologies faster. So it'd be data center, battery energy storage systems, and grid applications is where we see the first opportunities and earliest

revenue potential for BTRAN-based products.

Jeff Christensen | Head of Investor Relations:

Thanks. Please comment on your plans to expand the sales funnel.

David Somo | President and Chief Executive Officer:

Well, two approaches here. The first is you heard during the prepared remarks, we're expanding and investing in our own sales resources here. So late last year, we added a sales leader in Asia. We now are adding an applications engineering manager there. So that is able to sit in the lab with customers to help them accelerate their product development. and new customers evaluate VTRAN for their potential products. The second area is really leaning into our distributor network, where we're putting new tools in place that can help them sell VTRAN and actually some programs that will incentivize them to go out and get design ins and design wins and customer evaluations with our products. So that'll help us fill the top of the funnel, and in fact, Not in our funnel today is more than 100 different opportunities that we're vetting. And once qualified, I would expect many of those to move into the funnel.

Jeff Christensen | Head of Investor Relations:

What are the company's plans to shorten the prospect sales cycle?

David Somo | President and Chief Executive Officer:

Really, because B-Tran is a new technology and different from conventional solutions that customers understand well, like IGBTs and silicon carbide FETs, We need to help the customers both evaluate our products for their systems and then accelerate product development where we have a different power supplier driving structure for the devices. So the first is reference design kits. We continue to work on optimized reference design kits that serve as a very good point for customers to start their design and accelerate their product development by doing a good part of the work for them specific to the B-TRAN system. subsystem of their products. The second is use our applications engineering resources here within the company as customers get into their product development and have questions, we're providing direct support to them through our engineering team with applications notes as well as supporting them on calls or as needed sitting in the lab with them. And then the final area is leverage our distributors. We work with distributors like Richardson Electronics that has significant experience in the power industry. They actually build power systems as well as self components. And so they have a technical sales organization and field apps engineers that can help customers understand how to develop with our BTRAN products.

Jeff Christensen | Head of Investor Relations:

Thank you. We've had, again, continue to get questions submitted. We encourage you to click that ask a question button. The next submitted question is, will Lazen manufacture the product? What's the thinking on that and relative to the company has talked about licensing the technology?

David Somo | President and Chief Executive Officer:

Yeah, so I would expect Lazen and other similar customers to really be on a purchase order relationship, potentially over time, maybe a longer-term supply agreement. But that would be buying products manufactured by Ideal Power. where it may come up from a licensing perspective is as we deal with large multinational customers that typically want to ensure there's multi-source or reduce the risk in their supply chain. And that's where we would be open to consider a licensing agreement with either if we should be unable to supply for whatever reason gives the customer confidence that they can have the product manufactured for them, either by themselves or somebody else. But certainly in those in that scenario, where it's come about. While we're open to licensing, I would want to maintain a favorable position there and kind of have first right of supply.

Jeff Christensen | Head of Investor Relations:

Thank you. Any update on the automotive qualification testing?

David Somo | President and Chief Executive Officer:

What we've said is that we expect to complete the automotive reliability testing by this summer, and I believe we're on track to do that.

Jeff Christensen | Head of Investor Relations:

Thank you. Why is B-TRAN bidirectional such an important advantage?

David Somo | President and Chief Executive Officer:

Yeah, two different scenarios I'll describe here. One is you think about in the context of battery-entered storage systems or EVs where you have a battery system that's both discharging and then charging again. You have to conduct current in both directions. So that's an obvious advantage where the system has to be bidirectional. Then if you look at particularly the new 800 volt distribution systems and data centers, here you get into a situation where the current doesn't cross zero like it does in AC-based systems. And without trying to make this too technical, what it means is when you have constant current and voltage, when fault conditions arise, current can actually be caused to flow backwards in both directions. And so you want to be able to ensure that you can identify where that's happening, be able to contain it, and be able to control how that ripples through the system. So from that perspective, it's something referred to as selectivity. Inside the 800-volt power distribution system, you need to have bidirectional capabilities in the circuit protection system.

Jeff Christensen | Head of Investor Relations:

Thank you. What are your thoughts on the recent announcement of Stellantis sharing more electric vehicle technology with Leap Motor of China, and will that have any effect on your relationship, either positive or negative?

David Somo | President and Chief Executive Officer:

No, I think it could be positive for ideal power. We've, for some time now, worked closely with Stellantis. As Tim mentioned in his comments, we're preparing a custom package devices for their evaluation and EV platforms as well as working with them towards an EV contactor program. So to the extent that they would be sharing some of that technology would open up a bigger market opportunity for us out of the same investment in the design and development of the products.

Jeff Christensen | Head of Investor Relations:

Thanks. And in the Stellantis program, or any other EV program, how do you think about, will it be one model, multiple models of vehicles? How do you think about it? How should investors think about that?

David Somo | President and Chief Executive Officer:

Yeah, the automotive companies rarely invest in a technology to build for one model. They typically want to take it across multiple models to get the economies of their investment, economies of scale there. And so, Our expectation would be with any of the automotive OEMs or Tier 1s, considering our product, that are they, if we're successful in them adopting V-TRAN, that it would play across more of their EV fleet, multiple models as opposed to just a single model.

Jeff Christensen | Head of Investor Relations:

Thank you. Are there a couple of milestones that Ideal Power will achieve with the recent capital raise?

David Somo | President and Chief Executive Officer:

Yeah, I think primarily it's to expand and accelerate the commercialization of B-Tran and our sales initiatives in support of it. So I mentioned the new hires that we're bringing on board, sales leader in Europe, an applications manager in Asia, and then to engage and ensure we're getting our unfair share of mind at our distributors as a smaller company with a design evaluation, design in, design when registration programs that we can fund to really have the distributors excited about selling our products. So it's focusing both our internal resources and our distributor network on accelerating BTRAN commercialization.

Jeff Christensen | Head of Investor Relations:

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

David Somo | President and Chief Executive Officer:

Okay. I just want to thank everyone who joined the call with us today and appreciate the questions. We are committed to executing on our plan and sharing our progress as we move forward. Operator, you may end the call.

Holly | Conference Operator:

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