NASDAQ:IPWR Q1 2026 Earnings Call Transcript

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Operator | Conference Operator:

Good morning, ladies and gentlemen, and welcome to the Ideal Power first quarter 2026 results conference call. At this time, all participants are in a listen-only mode, and 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 1 on your telephone keypad. We do ask that while posing your question, you please pick up your handset if on speakerphone. As a reminder, this event is being recorded. And I would now like to turn the conference over to Mr. Jeff Christensen. Please go ahead, sir.

Jeff Christensen | Investor Relations Moderator:

Thank you. And good morning, everyone. Thank you for joining Ideal Power's first quarter 2026 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 first quarter 2026 financial 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 the company's 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 SEC filings for a list of the associated risks. We would also refer you to the company's website for supporting company information. Now we'll turn the call over to Idaho Power's President and Chief Executive Officer, David.

David Somo | President and Chief Executive Officer:

Thank you, Jeff. I appreciate everyone joining us today. I'll provide an update on our commercial progress since the start of the first quarter. Afterward, I'll turn things over to Tim to discuss our financial results. We look forward to your questions after our remarks. First, our Lead Asia customer project for low-current solid-state circuit breakers, or SSCBs, continues to advance through product development and remains on track for prototype units for 800-volt AI data center and energy grid customer evaluations. The prototype units are expected to be available in the fourth quarter of 2026. with initial low volume sales orders to support the prototype built. Beyond that initial project, we started two new projects with this customer, one for a medium current SSCB designed for 800 volt DC data centers, energy storage applications, EV charging, and industrial microgrids, and a second for a low current SSCB for smart industrial buildings. Second, we signed a letter of intent with an industry partner to co-develop a BTRAN-enabled intelligent SSCB prototype for evaluation by a US hyperscaler in its development environment for the NVIDIA Rubin Ultra 800-volt DCAI data center power distribution system. Prototype delivery is targeted for the end of Q4 2026 with an expected purchase order for the delivery of the prototype units. This prototype is also planned to be offered to additional U.S. hyperscalers and other AI data center operators, adopting the NVIDIA Rubin UltraRack architecture, our comparable 800-volt DC AI data center, power distribution systems for evaluation. Third, we delivered initial next-generation vTRAN custom package samples and development kits for evaluation to Stellantis for EV applications. We are on track to complete the remaining deliverables under our existing purchase order with Stellantis by mid-2026. Fourth, we engage new Asia-based global suppliers of power solutions for the potential development of DETRAN-enabled SSCBs for use in solid-state transformers, or SSTs, targeting 800-volt DC AI data centers, energy storage systems, EV charging, and the energy grid. SSTs represent a

meaningful opportunity for BTRAN, and these are our first SST-specific customer engagements. Fifth, we engage several multinational customers for the potential development of BTRAN-based SSCBs across AI data centers, smart industrial building applications, energy storage systems, and the renewable energy grid. Sixth, strategic investment discussions with global market-leading customers continue to be part of our commercial strategy. I have ongoing discussions with potential strategic investors and plan to continue to see those through. Reflecting this progress, our sales opportunity funnel increased to over 300 million revenue opportunity today, up from approximately 200 million at the time of our investor business update call at the end of February. These opportunities continue to diversify across AI data centers, industrial and automotive applications, as well as across multiple geographies. While a growing funnel is encouraging, converting it into design wins, production orders, and revenue is the top priority. We are focused on execution and working closely with customers to complete their product development and testing to advance projects through the funnel and into volume production orders and revenue. At the Advanced Power Electronics Conference in March, we met with approximately 30 companies that expressed interest in B-TRAN during and following the conference. And some of those discussions have since progressed into qualified sales funnel opportunities. In addition, during my recent two-week business trip in Asia, my second such trip to Asia this year, I highlighted that we initiated two new projects with our lead Asia customer, our first opportunities with SST customers, and we saw strong interest in DTRAN-enabled solid-state circuit protection applications spanning AI data centers, energy storage systems, grid infrastructure, and the industrial sector. Now I'd like to briefly touch on the upcoming market inflection in the industry's transition of power architectures. We continue to see growing industry momentum in the adoption of next-generation high-voltage DC power architectures for AI data centers and grid infrastructure. Importantly, the AI data center build-out has driven extraordinary growth in GPUs, CPUs, and training chips. But the power systems delivering electricity to operate the next generation of those chips are now the limiting factor, and the industry is mobilizing to address it. Legacy 400 to 400 volt AC-based data centers were designed for rack power levels of 10 to 50 kilowatts. Next generation AI workloads are pushing those requirements to 100 to 150 kilowatts in the near term, and eventually beyond 500 kilowatts, with some industry planning scenarios targeting one megawatt per rack by 2030. To support that scale, the industry is transitioning the higher voltage DC or 800-volt DC power architectures. A shift in NVIDIA has been actively driving through its GPU platform roadmap. We believe this transition is in its earliest stages and will expand demand for solid-state circuit protection capable of handling bidirectional current flow, microsecond fault detection, and intelligent control that traditional mechanical breakers were simply not designed to support. At the recent Advanced Power Electronics Conference, we presented a paper highlighting why solid-state circuit breakers are essential for emerging 800-volt AI data center power distribution architectures and how vTRAN effectively addresses the key design challenges customers face, including power efficiency, controllability, fast fault response, power density, and system cost, challenges that have made silicon carbide solutions a difficult fit for this application. Building on this emerging market opportunity, we also added our first potential solid state transformer projects to the sales funnel with prospective customers in Asia. Our addressable market opportunity is large and is expanding as the industry's power worker transition unfolds across multiple markets. Shifting topics, our patent coverage spans North America, China, Taiwan, Japan, South Korea, India, and Europe. all representing our priority patent coverage geographies. As a result of our continued innovation, our list of issued BTRAN patents is now at 103, with 50 of those issued outside of the United States. To safeguard our intellectual property further, we treat the double-sided wafer process flow we develop 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. In closing, commercial momentum continues to build with prototype programs progressing with our Lead Asia customer. co-development of prototype units with an industry partner for evaluation by U.S. Hyperscaler, Solanus deliverables progressing on schedule, our first opportunities for BTRAN-enabled SSPs, and engagement expanding with several new SSCB opportunities with multinational customers. The industry's transition toward high-voltage DC power architectures and AI data centers and energy infrastructure is expanding the opportunity for advanced solid-state circuit protection that traditional mechanical breakers do not address. And BTRAN is uniquely

positioned to meet that need. Our focus remains on converting our expanding sales funnel and customer engagement into production orders, revenue, and long-term shareholder value creation. The strategic priorities we have set are designed to achieve these goals. 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. Our first quarter 2026 cash burn from operating investing activities was $2.3 million, compared to $2.1 million in the first quarter of 2025 and $2.2 million in the fourth quarter of last year. Our Q1 cash burn was below our guidance of $2.6 to $2.8 million. We continue to manage expenses prudently and aggressively. We expect second quarter 2026 cash burn to be approximately $2.5 to $2.7 million, with a full year 2026 cash burn of approximately $10 to $10.5 million. This compares to a 2025 cash burn of $9.6 million. The higher forecasted cash burn in 2026 compared to 2025 is due primarily to the hiring of additional sales and engineering personnel. Cash and cash equivalents totaled $16.4 million at March 31, 2026. We have no debt and a clean capital structure. We did not record revenue in the first quarter of 2026. Initial orders from the companies evaluating 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 $3.7 million in the first quarter of 2026 compared to $2.8 million in the first quarter of 2025, driven primarily by higher stock-based compensation expense and personnel costs. Stock-based compensation expense increased in the first quarter of 2026 due to equity award modifications under the transition services agreement with our former CEO and inducement grants to our incoming CEO in the fourth quarter of 2025. We expect operating expenses to increase modestly in the coming quarters due to growth in our sales and engineering teams to support our commercialization efforts, as well as our growing number of customer engagements. We continue to expect some quarter-to-quarter variability in operating expenses, particularly research and development spending, through the timing of semiconductor fabrication runs, product development, and other research and development activities, as well as hiring. The timing of equity award grants, investings, and related non-cash stock-based compensation expense recognition will also cause variability in our quarterly operating expenses, as it has in the last two quarters. Net loss in the first quarter of 2026 was $3.6 million compared to $2.7 million in the first quarter of 2025. At the end of March, we had 12,112,118 shares outstanding, 1,464,226 options and stock units outstanding, and 2,238,040 pre-funded warrants outstanding. At March 31st, 2026, our fully diluted share count was 15,814,384 shares. At this time, I'd like to open up the call for questions. Operator?

Operator | Conference Operator:

Thank you. At this time, we'll be conducting our 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. A confirmation tone will indicate your line is in the question key. You may press star 2 if you wish 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. Okay, while we wait, I will turn this call back over to Mr. Jeff Christensen to read questions submitted to the webcast. Thank you.

Jeff Christensen | Investor Relations Moderator:

Thank you. Our first submitted question is, if you could leave investors with one message today about why ideal power is a compelling investment opportunity at this stage of the company's development, what would it be?

David Somo | President and Chief Executive Officer:

Yeah, so I'll take that one, Jeff. We're at the cusp of a high voltage DC secular megatrend where the energy infrastructure across data centers, grid, energy storage, and industrial applications are at the early stages of transitioning from AC to high voltage DC systems. This aligns very strongly to the capabilities we have and benefits of our B-Tran product, specifically in areas like salt state circuit breakers. As I mentioned at the beginning of my comments, it's not just a one-year phenomenon. We think this is a multi-year secular megatrend that is just starting and will continue through 2030 and beyond. So we expect that to expand the market opportunity for B-Tran and the applications that we're targeting over that period of time.

Operator | Conference Operator:

Thank you.

Jeff Christensen | Investor Relations Moderator:

I'm sorry. Yeah, the next question was, any sense that electric vehicle recovery, mainly in Europe, is igniting interest in B-Tran?

David Somo | President and Chief Executive Officer:

So in our sales opportunities, we have multiple customers that are evaluating B-Tran, both across automotive OEMs like Stellantis and Tier 1s. Listening to some of the commentary from our peers and what I've seen in the market is that the current oil situation is driving a renewed interest in EVs. And that renewed interest could lead to increased sales volumes, which increases the opportunity for V-TRAN on those programs that we have with our customers.

Operator | Conference Operator:

Thank you.

Jeff Christensen | Investor Relations Moderator:

The next submitted question is, please comment on how BTRAN compares with Infineon's CoolSec JFET product.

David Somo | President and Chief Executive Officer:

Yeah, so Infineon's CoolSec JFET, that's a new form of a silicon carbide FET device. Initially, there were silicon carbide MOSFETs. The comparison between BTRAN here is, first and foremost, in the inherent bidirectional conducting and blocking capability of BTRAN. JFETs, like silicon carbide MOSFETs, require back-to-back configuration, so at least two devices to be able to conduct and block in both directions compared to a single device for BTRAN. In addition, like I've heard during my recent tour with customers, where they are evaluating silicon carbide MOSFETs, it becomes very difficult in medium and high current applications to share current and control the turn-on and turn-off of the devices in SSCV applications, which is an area they cite as a strength for VTRAN. And obviously, if we can reduce the component count, we can reduce the system size and improve the power density and reduce the cost of the overall system.

Operator | Conference Operator:

Thank you.

Jeff Christensen | Investor Relations Moderator:

We've gotten questions submitted, so please continue to click that button to ask a question. We look forward to answering your questions. The next submitted question is, please discuss where the company stands today in terms of manufacturing readiness.

Operator | Conference Operator:

Yeah, so we're ready.

Tim Burns | Chief Financial Officer:

We have relationships with multiple foundries and packaging firms. They'll be able to handle our sales ramp here over the next couple of years. We also have a roadmap to support business over the long term, supporting our forecasted capacity requirements while also providing significant cost reductions. So, from a manufacturing perspective, we're in good shape.

Jeff Christensen | Investor Relations Moderator:

Thank you. Any additional color on the incremental improvements in the quality and quantity of the sales funnel? Additionally, what initiatives is Ideal Power undertaking to expand its sales funnel?

David Somo | President and Chief Executive Officer:

Yeah, so I'll take that one. As I mentioned during my prepared remarks, the sales funnel has increased by more than 50% since the end of February and the March call that we did for the full year 25 earnings. The rigor around it has really increased as we, and I personally, I sit in biweekly funnel reviews with the sales team, not only to look at the opportunities that are in there, but also understand what is being added to the funnel. Where are we in customer development projects? How are things progressing? What can we do to speed up those projects between our sales team and our applications engineering organization? If there are any issues that come up, how do we resolve those quickly with customers to work towards keeping projects track and so I'd say the funnel rigor has certainly improved from the beginning of the year till now as we get a stronger handle on the opportunities going into the funnel and we progress those opportunities through the funnel both through our sales team and our applications engineering team and regular engagements with customers thank you

Jeff Christensen | Investor Relations Moderator:

Does Ideal Power still expect to complete the automotive qualification reliability testing this summer?

David Somo | President and Chief Executive Officer:

Yes, we continue to make progress towards completing automotive reliability testing this summer.

Jeff Christensen | Investor Relations Moderator:

Thank you. And the next question on the thing, what is the importance of the automotive qualification to Ideal Power?

David Somo | President and Chief Executive Officer:

Yeah, so it's a requirement by automotive customers to deploy BTRAN in their vehicles. So customers can proceed with product development while the qualification is taking place, but to put the products into vehicles to begin their field testing on the road and then to release in series models, they need to have the components automotive qualified.

Jeff Christensen | Investor Relations Moderator:

Thank you. You mentioned the automotive qualification completion this summer. The other submitted question was, what other near-term catalysts that the market should be looking out for in the next three to six months?

Tim Burns | Chief Financial Officer:

Yeah, from that perspective, it's really what we've communicated earlier. So it's announcing additional agreements with customers, whether they're custom development agreements or new programs that potentially for custom development agreements It's also we're expecting to start getting purchase orders, so we'll start to talk about those and announce those as they come in. But it's really all around commercial activity. We'll continue to make progress with Stellantis. We're targeting, again, those deliverables here to be completed by mid-year. So we're expecting commercial announcements here over the course of the next 36 months that will be meaningful for us.

Jeff Christensen | Investor Relations Moderator:

Thank you. Who is the main competition for B-TRAN?

David Somo | President and Chief Executive Officer:

So if we look at for the applications we're targeting, it would primarily be silicon carbide MOSFETs. IGBTs really aren't considered in this space because of the losses associated with them. And when you're conducting, the vast majority of the time, you want to minimize those losses.

Operator | Conference Operator:

Thank you.

Jeff Christensen | Investor Relations Moderator:

Any other, so let me look here, the timeline for revenue. Any other comments about the timeline for meaningful revenue?

Tim Burns | Chief Financial Officer:

We're still on track with what we said in the business update call. Obviously, the projects we discussed on the call today, we're expecting to contribute to that, but there's no change in our expectations.

Jeff Christensen | Investor Relations Moderator:

Okay, thank you. Are there any key hires planned in sales and engineering in the coming borders?

Tim Burns | Chief Financial Officer:

So we've already actually added to the team this year. We added a sales director in Europe, applications engineering support in Asia. We've actually added someone in the quality team that's assisting with our automotive qualification. But the team's largely intact. We'll probably add just maybe a couple more

Jeff Christensen | Investor Relations Moderator:

Positions over the balance of the year, but we have a core team in place to commercialize the technology Thank you I did How are things going with you mentioned Stellantis any any other comment about other autumn automakers?

David Somo | President and Chief Executive Officer:

As part of the final if I look at over 300 billion opportunities that we have it's roughly split about 50 50 and on a percentage basis between automotive and then general data center, general industrial applications. So we do have other projects that are under consideration or evaluation by either automotive tier ones or OEMs, specifically around EV contactors, battery disconnect units.

Jeff Christensen | Investor Relations Moderator:

Thank you. Can you provide any other color on the strategic partner investment possibilities?

David Somo | President and Chief Executive Officer:

Not much more depth that I can go into at this time, other than I have ongoing discussions, as I mentioned in my prepared remarks, from potential strategic investors. I have continued those discussions at a high level in some of the companies and working to expand that to other areas consider what may be the best fit for our company and a strong validation of V-Tran in the market based on investment of somebody who has interest in adopting our products.

Operator | Conference Operator:

Thank you. That concludes our question and answer session. David, do you have any closing remarks?

David Somo | President and Chief Executive Officer:

Yeah, I just want to thank everyone who joined the call today. Along with our sales team, I'll be attending PCIM in Europe next month, and I look forward to sharing updates with you in August regarding our progress as we execute on our plan to commercialize B-Trend. In closing, I want to recognize the company's employees for their innovation and continued hard work and thank them for their efforts. Operator, you may end the call.

Operator | Conference Operator:

Thank you. Ladies and gentlemen, this concludes today's conference. All parties may disconnect and have a great day.