NASDAQ:IPWR Q2 2026 Earnings Call Transcript

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Jenny | Conference Operator:

Good morning, ladies and gentlemen, and welcome to the Ideal Power Second Quarter 2026 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 phone 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 | Vice President of Investor Relations:

Thank you, Jenny, and good morning, everyone. Thank you for joining Ideal Power's second 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 second 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 a number of statements on this call are forward-looking statements. All statements on this call that are based on historical fact are, that are not based on historical fact are forward-looking statements. While management has based any forward-looking statements on its current expectations, the information which such expectations were based on may change. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of risks, uncertainties, and other factors, many of which are outside the company's control. That could cause actual results to materially differ from such statements. Please refer to the company's SEC filings for some of the associated risks, uncertainties, and other factors. We would also refer you to Ideal Power's website for more supporting company information. Now I'd like to turn the call over to Ideal Power's President and Chief Executive Officer, David.

David Somo | President and Chief Executive Officer:

Thank you, Jeff, and thank you to everyone joining us today. I'll begin with an update on our commercial progress from the start of the second quarter. Then Tim will review our financial results, and after our remarks, we look forward to your questions. Let me start with our LeadAsia customer. We're finalizing our low-current solid-state circuit breaker, or SSCB, prototype development for shipment to the customer later this month for their internal testing. eTRAN-enabled SSCB prototypes are expected to be available from this customer for their 800-volt AI data center and energy grid customers in the fourth quarter of 2026, with initial low-volume orders to support the prototype builds also expected in the fourth quarter. Beyond that initial project, in an order of priority, we are engaged with this customer on two additional projects, 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. Technical discussions on the medium current SSCB are already underway. Second, Under the letter of intent we signed in the second quarter, we advanced our co-development with an industry partner on a BTRAN-enabled intelligent SSCB prototype for a planned evaluation by U.S. Hyperscaler in its development for the NVIDIA Rubin Ultra 800-volt DC data center power system. We're targeting prototype delivery at the end of the fourth quarter of 2026. This prototype is also planned to be offered to additional Hyperscalers, and other AI data center operators adopting the NVIDIA Rubin Ultra power architecture or comparable 800-volt DC AI data center power distribution systems for evaluation. The Ideal Power team will be attending the Open Compute

Project Global Summit in October together with our industry partner to introduce this intelligent SSCB prototype concept to AI data center and infrastructure providers for their consideration. Third, we delivered a second set of Gen 2 B-TRAN custom package samples and development kits to Stellanus for their evaluation. We are working closely with the customer on a detailed analysis of their solid state contact or system level specification to optimize the solution and align the remaining deliverables under the purchase order. While this has impacted the timing of our expected completions of deliverables under the PO, It has not delayed or otherwise impacted our expectations regarding the EV contactor opportunity with Stellantis. The deliverables we've completed support the next project milestone scheduled for the fourth quarter of 2026. We will work to promptly complete future deliverables as they are agreed with the customer to support subsequent project milestones. Fourth, we achieved an important operational milestone. We entered into a long-term supply agreement with a high volume wafer foundry in Asia, not China, and achieved functional first silicon after initiating discussions with them in the first quarter of this year. This is an automotive qualified fab that has built more than one billion power semiconductors. This foundry has the capacity to support high volume industrial and automotive customers at a cost structure we believe supports our targeted gross margins at scale. Fifth, we're seeing accelerating demand to support 800-volt DC architectures from a growing number of potential customers, including leading global electromechanical breaker manufacturers now seeking SSCB solutions. I've been asked how we are helping customers speed up adoption, and would like to take a moment to explain the progress we're making. We introduced a new SSCB reference design kit, or RBK, to assist customers with evaluating our technology and accelerate the development of their own SSCB products. This is critical to adoption as companies that have traditionally supplied electromechanical breakers may not have internal expertise with solid state solutions or may not have started developing SSCB products. With the rollout of 800 volt AI data center power architectures expected to start in the second half of next year, these companies need a close to market ready solution to enable timely product introductions. We are already seeing traction as one of our distribution partners has placed its first stocking order for these SSCB RDKs for delivery in the coming weeks, and multiple customers have requested access to our new RDKs. Sixth, after recently adding a Europe-based sales director, our team met with more than 20 potential customers at PCIM in Germany. Our European sales efforts have already led to early engagements with the European based global automaker and tier one automotive suppliers. We recently met with one of these global tier ones pre-production and production teams as we are finding significant interest in solid state EV contactor and battery disconnect unit solutions. We also have a new engagement with a European-based circuit protection company interested in a broad set of applications, including solid state breakers for data centers and energy storage, as well as battery disconnect units for EVs. They're targeting both US and European markets on an aggressive timeline. Seventh, our newly formed advisory board now includes its first member, Dr. Sanjay Parthasarathy, Chief Marketing Officer of Coherent Corporation. key supplier for AI data center infrastructure. Sanjay brings more than 35 years of leadership across data centers, optical networking, and related technology markets, aligning with our near-term revenue opportunities. His deep market expertise and industry network directly support our plans to accelerate the commercialization of our high value, high impact solutions. Let me spend a moment on the data center market. When people picture the AI boom, they think graphics chips, processors, and servers. But the bottleneck is increasingly power, getting it to the data center, then distributing and managing it once there. The forthcoming migration to 800-volt DC power architectures in AI data centers and the supporting energy infrastructure is a catalyst that is accelerating the demand for high-voltage power semiconductors. This is reflected in the industry's growing backlog for power semiconductors and is expected to drive rapid growth over the next several years. SSCBs are essential in high-voltage DC systems as they enable ultra-fast fault handling for reliability. B-TRAN provides an ideal solution for solid-state circuit protection with its inherent bidirectional operation, low conduction losses, microsecond fault handling, and 1200-volt rated operation provided ample safety margin for 800-volt power delivery systems. The industry is in the early stages of a secular megatrend in power semiconductors that presents an exciting growth opportunity. I'll briefly discuss our product reliability testing and qualification plans. A simple way to think about it is that industrial and automotive qualification typically reflect the requirements of each end market. JEDEC industrial qualification supports our near-term opportunities in AI data centers, energy storage, and grid infrastructure markets, while AECQ, or automotive qualification, is designed for automotive applications. Given the accelerating demand for power semiconductors to support AI

data centers and energy infrastructure, which represent our nearest-term revenue opportunities, we are prioritizing work on industrial reliability testing and qualification. We plan to begin the industrial qualification process during the current quarter and complete it in the fourth quarter. Automotive reliability testing and qualification will be planned to align with customer timelines. Importantly, automotive qualification is typically required for use in vehicle production, but is not a gating item to advance product development for automotive opportunities, including our EV contactor opportunity with Stellantis. As such, adjusting the timing of automotive qualification is not expected to affect our sales opportunities. Our commercial progress is showing up in the size and quality of our sales funnel, which has grown to over $400 million in total revenue opportunity, up from about $300 million at our mid-May call. It's split roughly 50-50 between automotive and the combination of AI data centers and other industrial applications, and it is global. Applications are primarily SSCDs and solid-state EV contactors with growing interest in solid-state transformers, all of which broadly fit into the category of circuit protection. While growing funnel is encouraging, converting it into design wins, production orders, and revenue remains our top priority. We are focused on execution and working closely with customers to complete their evaluations, product development, and testing to advance projects through the funnel and into volume production orders and revenue growth. In closing, commercial momentum continued to build this quarter with prototype SSCB units being finalized for internal testing by our Lead Asia customer, progress toward the planned evaluation of a co-developed intelligent SSCB prototype for US hyperscaler, a growing pipeline of engagement with regional and multinational customers across multiple markets, and the rollout and first stocking order for our new SSCB reference design kit designed to accelerate customer adoption. We also achieved an important operational milestone by entering into a long-term supply agreement with a high volume automotive qualified foundry that we expect to be a cost-effective partner for us for years to come. Overall, the industry's transition to high voltage DC power architectures and AI data centers and Energy Infrastructure is serving as a catalyst for power semiconductors and solid-state circuit protection solutions. And V-TRAN enables a differentiated solution to fill that need. Our focus remains on advancing customer opportunities in the volume production orders, revenue growth and long-term shareholder value creation. 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 $27.7 million in net proceeds from a registered direct offering of common stock and pre-funded warrants that closed on May 18th. We are excited that the financing was led by the company's largest institutional shareholders. The offering significantly strengthened our balance sheet. At June 30th, 2026, cash and cash equivalents totaled $41.3 million. Post offering, we still have a clean capital structure and no debt. Our second quarter 2026 cash burn was $2.5 million, flat compared to $2.5 million in the second quarter of 2025, and up from $2.3 million in the first quarter of 2026. Our Q2 cash burn was at the lower end of our guidance of $2.5 to $2.7 million. Even with the flexibility provided by our recent capital raise, we will continue to manage expenses prudently and aggressively. We expect third quarter 2026 cash burn to be approximately $2.7 to $2.9 million, with a full year 2026 cash burn of approximately $10.3 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. We recorded modest revenue in the second 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 performed product qualification and billed inventory for the commercialization of their VTRAN-based products. Operating expenses were $3.6 million in the second quarter of 2026 compared to $3.1 million in the second quarter of 2025. The increase was driven primarily by higher stock-based compensation expense, personnel costs, and non-cash patent impairments as we proactively rationalized our pending patent portfolio. Our 105 issued patents were unaffected by this rationalization and the streamlining of the portfolio lowers our future patent spend. 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, due to the timing of semiconductor fabrication runs, product development, and other research and development activities, as well as hiring. The timing of equity award grants and performance stock unit vestings 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 second quarter of 2026 was $3.4 million, compared to $3 million in the second quarter of 2025. At the end of June, we had 16,421,520 shares outstanding, 1,238,553 options in stock units outstanding, and 3,410,086 pre-funded warrants outstanding. At June 30th, 2026, our fully diluted share count was 21,070,159 shares. At this time, I'd like to open up the call for questions. Operator?

Jenny | Conference Operator:

Thank you very much. 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. A confirmation tone will indicate that your line is in the queue. You may press star 2 if you would like to remove your question from the queue. and for participants using any speaker equipment, it might be necessary to pick up your handset before you press the keys. Please wait a moment whilst we poll for questions. Thank you very much. Our first question is coming from Casey Ryan of Amorex. Casey, your line is live.

Casey Ryan | Analyst, Amorex:

Good morning, David and Tim. Thanks for the update this morning. I wanted to ask about the hyperscaler opportunity. Are you partnered with other component makers? I'm just wondering if they're really sourcing their own solutions at this point, looking for better products and better pieces. And if one hyperscaler is doing it, do we think all of them will start to do it? Or is it sort of a a personality of a hyperscaler in terms of how much they want to control versus turning that over to external parties like us.

David Somo | President and Chief Executive Officer:

Hi, Casey. Thanks for the question, and I'll take that one. So I'll use your terminology. It's more the personality of the hyperscalers. They're each involved in different levels depending on how they work with their partners that are supplying different components and systems that are deployed in the data center. There are those who are involved all the way down to kind of the component levels that could integrate in bigger systems and then get deployed. There are those who stay at a higher level. So the opportunity here in working with our industry partners to deliver something that's more at a circuit protection level, but bring some intelligence that's intended to help with managing how power is utilized and optimized across the power distribution system inside hyperscalers, which is why we believe it has relevance to them. It'd likely be less relevant for us to show up with a BTRAN for them to evaluate, but when it's at a more of a system level that they could potentially integrate in their environment, that becomes potentially of more interest, and that's what we're working towards.

Casey Ryan | Analyst, Amorex:

What do you think sort of the evaluation period, I mean, does it feel fair to think that maybe it's a one-year type of dilution period or shorter or longer, I guess?

David Somo | President and Chief Executive Officer:

Yeah, difficult to call. And what I would refer to is for those who are looking to be on the front end of the 800-volt DC data center power evolution, that's anticipated or projected to happen starting from the second half of next year. And aggressive adoption as we go into the end of the year and into 2028. So their evaluation timeline, if it's going to be used early in that environment, would have to line up with that schedule. Yeah, okay.

Casey Ryan | Analyst, Amorex:

I mean, that's actually consistent with what we've heard from a few other companies who aren't in your space necessarily but are exposed to data center as well.

Jeff Christensen | Vice President of Investor Relations:

Are you guys... Do you...

Casey Ryan | Analyst, Amorex:

are there conversations with other data center component companies that you sell with or partner with? And I'm not trying to draw a straight line to Coherent, but I did see that you added someone there to your advisory board. And I think that's a positive, but obviously Coherent's a big player in data center as well. But are you sort of with a partner or a group of companies partnering to sort of sell solutions or are each of you still pursuing your own direct access to say a certain hyperscale or a certain customer opportunity in a data center?

David Somo | President and Chief Executive Officer:

Let me describe it this way and I'll use an automotive market analogy. If you think about the way automotive works now, it was historically component suppliers, semiconductor suppliers like us would sell to tier ones who then would sell to the automotive OEMs and about eight to 10 years ago, that began to shift where the OEMs wanted direct relationships with some of the semiconductor suppliers to know what's coming down the pipe and evaluate newer technology sooner and then have some influence over what their tier one suppliers are providing them at a systems level. I think there's opportunity here. Our traditional model would be us selling our semiconductor components, P-TRAN, to somebody who's going to build a solid state circuit breaker or a solid state contactor for automotive that then gets integrated by the next level customer and goes eventually into a data center environment or industrial grid or something along those lines. I think the opportunity here is with the rapid pace of innovation to be able to take something that's more like a circuit breaker or circuit protection level and introduce new concepts directly to those who are doing higher level system integration or even in some cases the hyperscalers themselves. are looking at new technology and how to prepare for this HVDC transition. And so we want to work at each level, direct with our more traditional customers that are building circuit protection devices or contactors or EVs, then their customers who may be doing the integration level, and ultimately to the hyperscaler, if possible, where there could be interest and they want to work at that level.

Casey Ryan | Analyst, Amorex:

Right. Okay. Thank you. That's actually very... very helpful for me to hear that and sort of get a better understanding of that. On the capacity agreements, getting those feels positive, but it also maybe feels encouraging because perhaps customers were asking you about capacity and wanted you to sort of demonstrate a plan, which would sort of suggest some interest on their side. So I'm curious how much getting this sort of, you know, penciled out and contracted was sort of part of maybe satisfying some of the sales conversations that you're having with certain potential end customers.

Tim Burns | Chief Financial Officer:

Yeah, so with the existing fabs that we have, I mean, we had capacity for two plus years with the existing relationships. But for us, particularly as you look longer term, you look at things like the automotive market, our new long-term supply agreement really supports the long-term scaling of of our business, and probably even more importantly, it's at a cost structure that we believe supports our targeted gross margins, right? So we've publicly stated we're looking for gross margins of 40% plus, and we have a long-term relationship now that we believe will support that.

Jeff Christensen | Vice President of Investor Relations:

Yeah, 40% plus, okay.

Casey Ryan | Analyst, Amorex:

All right, terrific. And then last question, I guess. with Stellantis, you know, we always are encouraged by any progress there, but I guess what do you think, you know, is Stellantis, you know, sort of unpredictable for you and there's no way to sort of say when will they sort of start to integrate some of these, you know, products or make a decision, you know, in a definitive way? How do we think about that? And has the opportunity narrowed or widened since maybe we first started talking about them 18 months ago, 24 months ago?

David Somo | President and Chief Executive Officer:

Yeah, so I'll take that one, Casey. We are now, the level of depth in the discussions with Stellantis towards working for the solid state contactor program has definitely increased over the past couple of months. We are working with them very closely on the definition of their system solution level. to understand how V-TRAN can be used in their environment to be able to optimize the performance and the capabilities of their system, looking and evaluating different alternatives that extend beyond our contribution to the system. It includes things like packaging and so forth that need to be considered as the total system solution. And so I'm encouraged with the improved depth of the conversations that we have as we continue to work closely with them toward the contactor program. and so that's, for me, helps to understand as the discussions deepen, you get into more details, that's typically a positive sign of where things are progressing.

Casey Ryan | Analyst, Amorex:

Yeah, I would agree. You know, I think all in all, this has been a great update. Those are my questions and I appreciate the time today. All right. Thank you, Casey.

Jenny | Conference Operator:

Thank you very much. Well, we appear to have reached the end of our question and answer session on the phone lines. I will now turn the call back to Jeff Christensen to read questions submitted through the webcast. Thank you.

Jeff Christensen | Vice President of Investor Relations:

Thanks, Jenny. The first question submitted is, why are the foundry agreement and functional first silicon so important for ideal power?

Tim Burns | Chief Financial Officer:

Yeah, and I kind of addressed this in responding to one of Casey's questions, but I think one, it's a long-term supply agreement, right? So this will allow us not just to get through the initial ramp, which we had already planned for with our existing fabs, but really gets us in a place where several years out when things like automotive volumes are potentially much more significant, we have an existing relationship now that will support that. The other thing, obviously, is in a larger fab, more established fab, there's a better cost structure, right? So I had mentioned in answering Casey that we can believe that we can get to our targeted gross margins at scale with this new foundry relationship that we have. And it does provide confidence to customers because they'll recognize the fab if we disclose it to them under NDA, and they'll know that we'll be able to supply them even if their volumes grow very rapidly.

Jeff Christensen | Vice President of Investor Relations:

Thank you. And investors can submit a question via the webcast. You know, there's an ask a question button there. Our next submitted question was, what gives management confidence that Ideal Power was successfully commercialized?

David Somo | President and Chief Executive Officer:

Yeah, I'll take that one, Jeff. And I think you laid that out during the prepared remarks, but essentially there are three items I would cite. One is that BTRAN possesses benefits and advantages for the applications that we're targeting and primarily around solid-state circuit protection that span data centers, energy infrastructure, and EV applications. We think we have some unique and differentiated capabilities that I described during the call that serve us well and make us very competitive in those applications. The second is the continued expansion of customer engagements in our sales opportunity funnel. I'm seeing continued progress with adding new opportunities to the funnel and deepening engagements with customers. that helps move us along that development timeline and working towards production systems. And then the final is that we're actually kind of in the right place at the right time from a market perspective with respect to the growth outlook and cellular megatrend that's taking place around high voltage DC for data centers and energy infrastructure. And that fits well with where we've targeted a B-Trend from an applications perspective and from a growth opportunity.

Jeff Christensen | Vice President of Investor Relations:

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

Tim Burns | Chief Financial Officer:

Yeah, so for us, I mean, our strategy doesn't change in how we're attacking the market. We don't expect enormous increases in our spend just because we have more capital on the balance sheet. We'll continue to be aggressive in managing our cash spend. So what it does do is we have over $40 million, over $41 million actually on the balance sheet at June 30th. So we have a strong balance sheet that will be viewed very favorably by both vendors and customers as we move forward. So it puts us in a better position to commercialize our technologies and give our partners the confidence that we have adequate capital for several years.

Jeff Christensen | Vice President of Investor Relations:

Thank you. The company issued a shelf registration on July 10th. And any additional commentary on that?

Tim Burns | Chief Financial Officer:

Yeah, so from my perspective, it's good housekeeping. So our prior shelf was expiring. Thank you, David. does not indicate that we have any intent to raise capital. It is just good housekeeping. It's a three-year instrument, so if two or three years from now there is a reason for us to raise capital or if there's a strategic investment opportunity that comes along, it just gives us the flexibility to use registered shares.

Jeff Christensen | Vice President of Investor Relations:

Thank you. The next submitted question is, the company includes in its strategic priorities in the press release and in the presentation to continue to explore strategic opportunities with global market leaders. The question about that was, does that mean corporate investors taking equity stakes and or is that the investment community?

Tim Burns | Chief Financial Officer:

So it would be customers, right? So this would be a customer that is going to potentially adopt our technology. It gives them an incentive for us to succeed. We could potentially have a very positive relationship in terms of driving revenue growth. And we have a lot of the large companies that we're talking to in terms of prospective customers have equity branches that actually do invest in key suppliers and key technologies for their OEM products. So That's what we're potentially looking at there.

Jeff Christensen | Vice President of Investor Relations:

Thank you. Again, if you have any submitted questions, please submit them in the Ask a Question button. The next submitted question was, what third-party validations exist around B-TRAN? Any comment on that?

Tim Burns | Chief Financial Officer:

So we're in the process of, and David talked about this extensively in his comments, but going through JEDEC qualification for the industrial markets, which is key for our near-term revenue opportunities. We also will align our timeline for automotive qualification with the automotive opportunities in our pipeline, including Stellantis. We've worked with multiple actual third-party testing houses to generate a lot of data on B-TRAIN. A lot of that is included in the data sheets that we have published on our website. and all of our customers just don't take for granted what's in the data sheet. They evaluate the technology. They bring it into their lab.

They test it themselves to understand the operating conditions and how it operates under different conditions. So from that perspective, I think we're in really good shape.

Jeff Christensen | Vice President of Investor Relations:

Thank you. The next submitted question is, can you help investors understand the types of current customer paid engagements?

Tim Burns | Chief Financial Officer:

Yeah, so for us right now, there's a couple really. So one is product sampling and development kits. And these are generally will be small volume orders where they want to get the technology in their lab and evaluate it for use in their applications. The other thing is potentially NRE fees for custom development projects. So if a prospective customer wants, for instance, a custom package, for their application. That's something that we would potentially do and earn NRE dollars for doing that. So those are the main types of revenue near term. And then longer term, obviously, we'll be looking at much higher volume orders if some of these companies actually adopt our technology for their end products.

Jeff Christensen | Vice President of Investor Relations:

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

David Somo | President and Chief Executive Officer:

Thanks, Jeff. I want to thank our employees. Their innovation and hard work are what's driving our progress. And thank you to everyone who joined us today in your support. I look forward to our next quarterly results call in November as we execute on our plan to commercialize BTRAN. Operator, you may end the call.

Jenny | Conference Operator:

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