NASDAQ:IPWR Q3 2026 Earnings Call Transcript

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Matthew | Conference Call Operator:

Good morning, ladies and gentlemen, and welcome to the Ideal Power Third Quarter 2026 Results Conference Call. At this time, all participants are on 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 through 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. Thank you, Matthew. And good morning, everyone. Thank you for joining Ideal Power's third quarter 2026 results conference call.

Jeff Christensen | Investor Relations:

On the call with me are David Somo, President and Chief Executive Officer, and Tim Burns, Chief Financial Officer. Ideal Power's third 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 not based on historical fact are forward-looking statements. While management has based any forward-looking statements on its current expectations, the information on which such expectations were based 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 the associated risks, uncertainties, and other factors. We would also refer you to the Idaho Power'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, and good morning, everyone. Thank you for joining us today. Before I turn to the quarter, I want to spend a few minutes discussing my key takeaways from my first year with Ideal Power. Then I'll cover the most significant developments since the start of the third quarter, and Tim will review our financial results. Here at the conclusion of my first year, the company is materially better positioned to advance customer opportunities through the sales funnel and into volume production orders. We assembled a leadership team and engineering team with a track record of taking power semiconductor products from development into high-volume production. We expanded our sales funnel to approximately $450 million, released new reference design kits, or RDKs, designed to accelerate customer evaluations and design and activity, signed a long-term supply agreement with the high volume automotive qualified power semiconductor foundry and achieved functional first silicon there. We strengthened the balance sheet, providing the runway to execute our commercialization strategy and engaged in discussions with multiple potential strategic investors. These are important accomplishments that have strengthened our foundation for commercialization. Our highest priority remains advancing customer opportunities through the funnel and into volume production orders. revenue growth, and long-term shareholder value creation. Now let me discuss what has to be better. First, we must complete JEDEC qualification and release our first DTRAN products into volume production. Second, we need to move customer programs through the commercialization process more efficiently. Customer programs have taken longer to convert to production orders than expected. I remain confident that they will happen but we need to accelerate the conversion of these opportunities into design-ins and revenue. Our customer engagements are broader, deeper, and increasingly focused on

specific system-level application requirements. B-TRAN has continued to perform as expected in every evaluation. Our immediate priorities are to close on our short-term customer opportunities, hyperscaler and power integrations initiatives, continue shipments of BTRAN-enabled solid-state circuit breaker, or SSEB, reference design kits, continue to advance Atlantis toward a formal EV solid-state contactor program, and complete JETIC qualification of our packaged BTRAN devices. We continue to expect AI data center-related revenue to begin in the second half of 2027 and build over a multi-year timeframe. Building on that, I'd now like to share the most significant developments since the start of the third quarter. I'll begin by sharing my key takeaways from the October Open Compute Project Global Summit and what they mean for our commercial AI data center opportunity. The Ideal Power sales team and I attended the summit and met with several large potential customers to introduce BTRAN and our SSCB RDKs for consideration as they develop their solid-state circuit protection products for 800-volt DC power systems. Our industry partner in the intelligent SSCB prototype concept designed for a hyperscaler, joined us to introduce this platform to AI data center and infrastructure providers for their consideration. The summit reinforced our confidence in the industry's direction and the expected timing of the transition to 800-volt DC infrastructure tied to the next generation of NVIDIA platforms and racks, with rollouts beginning in the second half of 2027 and building over a multi-year timeframe. We will see partial retrofits of existing facilities and hybrid configurations combining AC and 800-volt DC in new builds, and ultimately new builds designed solely with 800-volt DC distribution systems. We expect 800-volt DC power distribution to become increasingly prevalent in AI data centers to enable rack power levels that are planned to scale up to one megawatt. Migrating from AC to 800-volt DC power distribution reduces the use of copper in data centers and improves power efficiency by reducing the losses and converting high-voltage AC to low-voltage AC to DC power for use in the compute racks. This evolving power architecture environment is what our customers are designing for and creates a clear need for advanced solid-state circuit protection. I saw no evidence of any slowdown in data center investment. The AI industry is undergoing a fundamental transformation in how electricity is distributed, controlled, and protected. As computing power increases, the electrical infrastructure supporting AI data centers must become more efficient, reliable, and capable of safely handling significantly higher power levels. The transition toward an 800-volt DC architecture creates a compelling opportunity for ideal power. Higher voltage DC systems require circuit protection solutions that can interrupt faults extremely quickly while minimizing energy losses during normal operation. For our customers, these advantages can translate into improved energy efficiency, reduced operating costs, smaller equipment footprints, and more reliable electrical infrastructure. Turning now to how we're advancing our intelligent SSCB initiative for AI data centers. As previously discussed, we've been working with an industry partner under a letter of intent to develop an intelligent DTRAN-enabled SSCB prototype intended for evaluation in the US hyperscalers planned 800-volt DC development environment for the NVIDIA Rubin Ultra 800-volt DC data center power distribution architecture. We are finalizing a statement of work with our industry partner to jointly conduct an engineering study and modeling work that provides a simulation platform for the hyperscaler. We expect the project to be confirmed and begin this quarter and to include NRE funding. The project scope consists of load, flow, short circuit, transient, and protection coordination analyses. The study results will help define the system architecture and protection requirements inform the timing and scope of subsequent hardware prototype evaluation and potentially identify broader opportunities for BTRAN integration beyond circuit protection. The sequencing has evolved from what we originally outlined. The engineering study will occur prior to the planned hardware phase, which will be based on the study's conclusions. We view this as a positive development as it positions us to participate directly in the architectural decisions that will shape the system requirements rather than anticipating or responding to them while the hardware phase is already in process. We expect the study to reinforce the advantages of BTRAN and solid-state circuit protection within data centers and pave the way for the hardware evaluation. Although the study results will be confidential, our work with the industry partner is expected to provide us with a robust, intelligent circuit protection solution that can be leveraged across other hyperscalers, data center operators, and energy infrastructure providers. During the OCP Global Summit, we had multiple discussions with customers that indicated interest in collaborating on a similar engineering analysis to guide the development of their 800 volt DC AI data center power solutions. This approach involves ideal power at the front end of customer design decisions and can position us to become an important solid state circuit protection supplier in their new 800 volt DC power solutions. Moving to another important topic, we recently

announced a collaboration with Power Integrations to address a critical challenge in 800-volt DC data centers. Traditional protection methods are proving to be inadequate. Mechanical breakers are too slow, while previous semiconductor-based breakers have historically been unacceptable because of high power loss. We demonstrated a working prototype together, and we are now developing a reference design for potential customers. Our collaboration delivers a self-powered, intelligent, ultra-fast SSCB that eliminates the need for an external auxiliary power supply. The solution combines Power Integration's 1700-volt InnoMux 2 power conversion technology with Ideal Power's D-Trans semiconductor switches in a compact architecture designed for 800-volt DC SSCBs. Let me explain why this matters. In an 800-volt DC data center, the circuit breaker needs a source of low voltage power to operate its controls, sensors, and switching devices. In many emerging system architectures, that auxiliary power must be derived directly from the 800-volt DC distribution bus. Power integrations technology efficiently converts the high voltage input into the low voltages required to operate the breaker. Our collaboration also extends our commercial reach. Power Integrations has substantially more sales and applications engineering resources than we do, and we intend to leverage this as we deliver joint reference designs to market. Turning now to our reference design kits. Our 800-volt, 63-amp SSCB reference design kit is now stocked for customers at one of our global distributors, Richardson Electronics, and they have begun accepting orders. We expect stocking orders from other distributors in the coming months. We are also taking direct orders for these RDKs and have delivered kits directly to customers to support their evaluations and accelerate product development of solid-state circuit protection solutions. RDKs are particularly important for customers that have traditionally manufactured and sold electromechanical breakers, as they may not have the power electronics expertise in-house to rapidly develop solid-state breaker products. Our RDK can be the basis of their initial SSCB products and accelerate these customers' time to market. During the third quarter, and as discussed in our last quarterly results call, we delivered low-current, DTRAN-enabled SSCB prototypes to a customer in Asia for internal testing and evaluation. Those SSCB prototypes were designed for 800-volt DC, 63-amp operation based on the customer's defined product specifications and aligned with end customer requirements. We demonstrated and validated their functionality and performance prior to delivery, and now the customer can confirm the measurements of the prototype SSCBs during their evaluation process. Following the very recent publication of a new industry paper for certain SSCBs, the customer met with its end customers to confirm product requirements and as a result made the decision to transition its initial target SSCB product to be an 800 volt DC 125 amp solution. As the prototypes we delivered were designed for 63 amp operation and our 125 amp reference design kit is currently in development, we no longer expect initial low volume 63 amp prototype orders from this customer in the fourth quarter as we discussed on our last quarterly results call. We plan to re-engage with this customer when our 125 amp SSCB reference design kit is available in the coming weeks, impacting the potential timing of orders from this customer due to their new higher current product requirements. I want to be clear that the customer's decision is not related to the performance of our B-TRAN solution. Test results confirm that the B-TRAN SSCB prototype performed as expected. This is an instance where evolving specification resulted in an unanticipated pivot in their product plans. This delays the near-term commercial opportunity with this specific customer, but not the overall opportunity for BTRAN-enabled SSCB products. We retain multiple opportunities with this customer, and importantly, we are able to leverage this 63-amp SSCB solution across other customers for data center and energy infrastructure applications. We are engaged with multiple similar customers evaluating our technology for 63-amp SSCBs, as well as other customers more focused on SSCBs at 125 amps and even higher current. Going forward, you'll hear me talk about our data center and energy infrastructure opportunities across a broader set of customers, which is a more accurate picture of where this business stands. Along these lines, I'd like to highlight several new and important customer engagements. We recently initiated a new engagement with a global power infrastructure design company evaluating AC and DC SSCB solutions across multiple solid state circuit protection opportunities in cloud, high density data center, and energy infrastructure applications. While in its early stages, this could be a very significant opportunity for us. In another recent development, we are close to finalizing a statement of work with a global industrial technology company for a NRE-funded 800-volt DC 125-amp SSCB development project that is planned to start this quarter. The company serves a broad range of markets, including data centers, other industrial applications, and automotive. In Asia, a new large potential customer is evaluating V-TRAN in an 800 volt DC, 63 amp SSCB for integration with their battery

energy storage systems. This SSCB can also be used for data center applications. If the initial evaluation is successful, this customer intends to demonstrate and promote the solution during its end of year customer exhibition. This company could utilize both SSCBs internally in their systems as well as externally for sale to international customers. This is a much larger opportunity than the customer in Asia that has shifted their focus from a 63 amp breaker to a 125 amp breaker. Let me shift briefly to our longer term opportunity in solid state circuit protection in automotive applications. We continue to advance our automotive opportunities, including the program with Stellantis. We have delivered Gen 2 B-Tran custom package samples and development kits to Stellantis for their evaluation and have been working with them on their system level specifications and optimization of their B-Tran enabled solid state contactor solution. The deliverables completed to date support the next project milestone scheduled for the current quarter. We maintain a regular meeting cadence with Stellantis and are scheduling an in-person meeting with their management to reinforce our strategic alignment, advance technical and commercial priorities, and maintain momentum toward the next funded phase of the engagement. Our automotive strategy remains focused on advancing customer evaluations toward design-ins, and our engagements include not only Stellantis, but also other global automakers and Tier 1 suppliers, including new additions to our sales funnel. Automotive has a longer design cycle than data center and other industrial applications, as development programs typically progress through multiple pre-development stages before customers make final design-in decisions. As such, we expect automotive revenue for us to consist of development revenue for the next couple of years. Our commercial progress is showing up in the size and quality of our sales funnel, which has grown to approximately $450 million in total revenue opportunity. up from about $400 million in our mid-August call. The mix remains roughly 50-50 between automotive and the combination of AI data centers and other industrial circuit protection applications, and it is global. Applications are primarily SSCVs, including for solid-state transformers and solid-state EV contactors, with additional interest in eFuse applications, all of which broadly fit into circuit protection. While a continued expansion of the funnel is encouraging, our single highest priority is converting opportunities into design-ins, volume production orders, and revenue growth. We remain focused on execution and working closely with customers to advance projects through the funnel. Our current generation BTRAN is optimized for circuit protection applications, which are continuously conducting absent a fault condition that opens the circuit. B-TRAN's very low conduction losses and native bi-directional ability to allow or block current in either direction with a single device addresses the demanding power efficiency requirements in AI data centers and can enable smaller, lower-cost system solutions. The competitive technology to B-TRAN for high-power applications is silicon carbide devices such as MOSFETs and JFETs. DETRAN delivers lower conduction losses than all but the highest performing silicon carbide devices. High performance silicon carbide devices can be up to three times the cost of DETRAN in bidirectional applications, providing DETRAN a significant competitive advantage. Note that DETRAN does not typically compete against IGBTs or GaN devices in circuit protection. IGBT losses are too high for these applications, and the operating characteristics of GaN devices are best suited for high frequency switching applications. For example, our current generation B-TRAN could potentially be utilized in circuit protection in a solid state transformer, but not in the high frequency power conversion in that same transformer where switching losses rather than conduction losses are most relevant to system performance. Moving on from commercial progress, We established an advisory board in the third quarter. Our newly formed advisory board includes its first member, Dr. Sanjay Parthasarathy, Chief Marketing Officer of Coherent Corporation, a 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. Dr. Parthasarathy has already contributed to our multiyear strategic planning process and is facilitating introductions through his industry network to key industry players. I am considering additional appointments to the advisory board where the candidate can help us engage industry leaders and accelerate our commercialization efforts. In the close out my prepared remarks, I'll provide an update on our manufacturing readiness and industrial product qualification. We announced that we entered into a long term supply agreement in the third quarter with a high volume automotive qualified semiconductor 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. They are now optimizing the process flow with encouraging results consistent with our expectations for a high-volume foundry. For JEDEC qualification, we are making progress toward completion by the end of this year. We are increasingly excited about our opportunities in solid-state circuit protection applications, particularly with the strong tailwind provided by the transition to 800-volt DC systems. Customer activity is exhilarating among both global industry leaders and in Asia, regional companies that can be fast adopters of our technology. With the near-term opportunities in data centers and the longer-term opportunities in automotive that are already progressing, We remain focused on executing our commercialization plans for BTRAN. I'd like to thank you for your continued interest in Ideal Power. I'll now turn the call over to Tim for a review of our financial results.

Tim Burns | Chief Financial Officer:

Thank you, David, and good morning, everyone. At September 30, 2026, cash and cash equivalents totaled $38.3 million. We have a clean capital structure and no debt. Our third quarter Our Q3 cash burn was within our guidance of $2.7 to $2.9 million. We expect fourth quarter 2026 cash burn to be approximately $2.7 to $2.9 million. with a full year 2026 cash burn of approximately $10.4 to $10.6 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 third 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 $3.9 million in the third quarter of 2026, compared to $3 million in the third quarter of 2025. The increase was driven primarily by higher personnel costs, stock-based compensation expense, and non-cash patent impairments as we proactively rationalized our pending patent portfolio. Our now 108 issued patents were unaffected by this rationalization, and the streamlining of the portfolio over the last two quarters lowers our future patent spend. We expect operating expenses to increase modestly over the coming quarters as we expand our sales and engineering teams to support commercialization activities and a growing number of customer engagements. We continue to expect some quarter to quarter variability in operating expenses, particularly in research and development spending, driven by the timing of semiconductor fabrication runs, product development activities, other research and development activities, and hiring. The timing of equity award grants and performance stock unit vestings in related non-cash stock-based compensation expense recognition will also cause variability in our quarterly operating expenses as it has in the last three quarters. Net loss in the third quarter of 2026 was $3.6 million compared to $2.9 million in the third quarter of 2025. At the end of September, we had 16,494,902 shares outstanding, 1,180,935 options and stock units outstanding, and 3,410,086 pre-funded warrants outstanding. At September 30th, 2026, our fully diluted share count was 21,085,923 shares. At this time, I'd like to open up the call for questions. Operator?

Matthew | Conference Call Operator:

Thank you. At this time, we're 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 at this time. We do ask that while posing your question, please pick up your handset if you're listening on speakerphone to provide optimum sound quality. And once again, if you have any questions or comments, please press star one on your phone. Your first question's coming from Casey Ryan from Amerix. Your line is live.

Casey Ryan | Analyst, Amerix:

Thank you, David, Tim. Thanks for the exciting, actually, update. A lot of questions. So very quickly, can you elaborate on the purpose of the RDKs. I saw them for sale on Richardson's site. Is that sort of an enabling push to allow more people to sort of self-serve and test the product and think about building things on top of BTRAN, I guess?

David Somo | President and Chief Executive Officer:

Yeah, Casey, so I'll take that one. I appreciate the question. RDKs are becoming a very important element to progressing customer design and opportunities. As I mentioned during my commentary, many of the customers we're working with come from more of an electromechanical background with circuit protection, not as familiar with power electronics, and this helps to accelerate both the evaluation of B-Tran in their intended applications as well as accelerate the development. And so the RDKs are becoming an important part of the design and process and I'm often asked, you know, what are we doing to try to accelerate some of these design ins and the RDKs are a fundamental part of that. So, we have what's available and released today and we're at work on others that will provide different current ranges to address a range of applications.

Casey Ryan | Analyst, Amerix:

Okay, terrific. That's helpful framing.

Matthew | Conference Call Operator:

I wanted to talk about the funnel number, 450, which is really great.

Casey Ryan | Analyst, Amerix:

I think when you started putting out that metric, it was just 200. So in maybe a year or a little over a year, we've kind of doubled that. What do you think about the potential for the funnel and how does it relate to when you start actually maybe booking some commercial revenues here as we get to 27? How do you think about that as a metric that's important for us to track?

David Somo | President and Chief Executive Officer:

Yeah, I think first and foremost, it directionally shows the growing momentum for the opportunities that we have with a broad base of customers, as it's pretty equally weighted across the circuit protection opportunities that are more AI data center, energy infrastructure based, as well as automotive applications, and it's global in nature. The funnel has many opportunities in it, each at different stages of development. Some are earlier stage, some are in into the evaluation stage where customers are actively testing and or designing products. And that helps us gauge when we'll see revenue flow through based on their development timelines. So the funnel is an important indicator to us of both the breadth of opportunities that we have, the markets that they exist in, and the general timeframes of when we would expect customers to complete their development and begin to release systems to markets.

Casey Ryan | Analyst, Amerix:

Okay, terrific. And then sort of on Stellantis, I'm just curious, I know that you're always pushing with them. Is the focus still on their electric vehicle platforms, or is it broader and maybe covering more general platforms, I guess, with Stellantis?

David Somo | President and Chief Executive Officer:

No, the project we're currently working with Stellantis is specific to solid-state contactors for EVs as a replacement to mechanical contactors. and so that project is specific to their electric vehicles.

Casey Ryan | Analyst, Amerix:

Okay, thanks for that clarification. And then the kind of the headline for me is this Power Integrations Collaboration feels like a really strong market validation of your technology. I don't know, would you want to comment on that and say maybe I'm reading too much into that or that like yes, it is really a good external validation of what you guys offer?

David Somo | President and Chief Executive Officer:

No, I would say we're excited about the cooperation with Power Integrations. It's very complimentary in nature, as I described in my commentary. We have to be able to, with high efficiency, convert 800 volts down to the voltage levels that the electronics operate at in the circuit breaker. And the demanding power efficiency and power density requirements in the applications we participate in, in solid-state circuit protection, require this type of capability, and they have a great solution for it, which is complementary to our power switch with VTRAMP. And so, together, it's both an enablement of solutions that we think meet the demanding requirements in data center and energy infrastructure applications. It provides a partner who is outstanding in specifically what they do in the high-voltage to low-voltage high-efficiency power conversion. while we provide the core breaker functionality supported by VTRAN. And it helps extend our reach by working together to engage multiple customers as they have complementary products that they are already selling to other customers, and they can now carry this out to engage customers. Yeah, okay, good.

Casey Ryan | Analyst, Amerix:

Well, that's the way I sort of read it, so it feels very positive. So I think that's it for my questions, but this is a great update with a lot of progress, so thank you. Thanks, Casey.

Matthew | Conference Call Operator:

Thank you. Your next question is coming from Adam Kelsey from Titan Partners. Your line is live. Great. Thank you.

Adam Kelsey | Analyst, Titan Partners:

David, you noted earlier in your remarks that it's taking a little bit longer to convert production orders than you might have thought. We'd love to better understand what you would say is the gating item and what you're specifically looking to change to shorten that cycle.

David Somo | President and Chief Executive Officer:

Yeah, I would say a couple of items there, Adam. The first is the RDKs, as I mentioned a moment ago, have become a very important part of our design and activities, helping customers through the development of their power electronics at a core breaker level, which may not be their particular area of expertise if they're coming from electromechanical breaker background and circuit protection. So these are typically also customers that have the ability to go faster in many cases. and so having that level of support that they can first evaluate on their bench and then take the designs we provide and be able to adapt it to their specific needs with our assistance is what can help accelerate some of these developments. So having those RDKs available is an important part of what we're doing to enable customer development. The other side is we're going just now at the front end of moving towards 800-volt DC environment and the supporting energy infrastructure around it. As I witnessed at OCP Global Summit, there's still a lot of work being done on architectural decisions and definitions, and that kind of changes a bit as to the products that they're targeting. At the end of the day, they're going to need a range of products that can be anywhere from 40 amps up to, that's more than 1,000 amps, and there's going to be different levels of circuit protection developed in between, so more of a portfolio, and they're looking at where's the place to target first for the earliest market opportunities and how do they build that out over time. So I think both are impacting the design timing. The RDKs help accelerate as they do make decisions around specific products, getting those products developed and released in a timely manner, and then it's understanding how the market is developing and what specifications are required.

Adam Kelsey | Analyst, Titan Partners:

Great. Appreciate that detail. And then with respect to, you know, first revenue being expected in the second half of 27, can you just provide a little more detail about the LEED Asia SSCB customer and where they sit on their path after prototype type testing and, you know, potential first revenue?

Tim Burns | Chief Financial Officer:

Yeah, that's something that David actually addressed in the script. I guess maybe we didn't use the term LEED Asia customer, but We delivered those 63-amp prototypes. They've tested them. They met expectations in terms of testing, but they're a customer that is actually looking now to enter with 125-amp solid-state circuit breaker products. So our reference design kit is not quite available, but will be available here in the coming weeks, and we'll reengage with them on the 125-amp product. But as David mentioned, there's customers looking at a variety of power levels. So we still see a strong opportunity with 63 amps. It's just that customer has made a shift in their product plans. It will actually push them out a few weeks from what we originally expected since it will be a 125 amp rather than a 63 amp breaker for their initial product.

Adam Kelsey | Analyst, Titan Partners:

Okay, I appreciate the clarification. And then with respect to the new large potential customer that's aiming to show the 63-amp SSEB at the costume exhibition, can you just provide a little more detail on how meaningful that exhibition is in your mind with respect to the commercialization and then how much work remains between now and that potential exhibition?

David Somo | President and Chief Executive Officer:

Yeah, so let me try to frame it this way. First, the customer is currently evaluating one of our RDKs, that they would essentially design the product from. So that accelerates their product development and that does become the vehicle with the completed software development where they can demonstrate it during their exhibition here at the end of the year. It's important from two perspectives. One, this is a very large customer

with multiple business units that does higher level system development and integration around power solutions. It can be at grid level, it can be at data center level, other energy infrastructure installations. So it promotes their component, meaning the SSCB, across their businesses for adoption so they can use it internally as part of their systems. And then they also have outside customers, international customers who attend that can then look at the product and they can promote it with them. So it kind of gives us two paths for the adoption on an earlier schedule. One is for their internal use. which helps to validate the product even further. The second is promoting to international customers. Appreciate the call. I'll jump back in the queue. All right. Thank you.

Matthew | Conference Call Operator:

Thank you. I'll now turn this call back to Jeff Christensen to read questions submitted through the webcast. Thank you.

Jeff Christensen | Investor Relations:

Thanks, Matthew. Gentlemen, the first question is, you continue to expect AI data center-related revenue to begin in the second half of 2027. What gives you confidence in that timeframe despite hybrid and changing configurations?

David Somo | President and Chief Executive Officer:

Yeah, I think it's some of the comments Tim and I have already shared. We're seeing urgency from customers around their new projects for solid-state circuit protection. We mentioned here a couple that are already in progress this quarter with the intent to be able to move those forward or demonstrate them. So customers are actively working on these projects, and it's across the funnel where we're seeing some of this engagement and acceleration around the product development to be able to release these to market in 2027. So it's those activities that are giving us confidence that we're going to on track for the revenue we've talked about in the second half of 27 around AI data centers.

Jeff Christensen | Investor Relations:

Okay, thanks. We had another submitted question about the AI data centers, and it was, how do you expect the recent sentiment around AI data centers to impact the overall adoption environment of BTRAN, and will this make adoption longer or make it more appealing to deploy as companies now need to look for cost savings while maintaining efficiency and operating standards?

David Somo | President and Chief Executive Officer:

Yeah, so I'll take that as a two-part question. The first part is really around what's happening with the data center environment. And as I stated, coming out of OCP, we did not see any slowdown in investment in data centers. And as I listened to some of the peer power semiconductor companies' earnings calls recently, as anyone who listened to them picked up, there are increasingly supply constrained with backlogs stretching out over a couple of years and becoming on allocation for some of the power products that they're selling into the AI data center and supporting energy infrastructure. So we don't see any slowdown in the investment going into the data center and supporting energy infrastructure products. And then specific to the data centers, though, I think they're always looking for ways to operate more efficiently. both from a power efficiency standpoint and a cost perspective. And we think the merits of DETRAN fit very well into enabling both power efficiency improvements as well as lower cost when deployed in the data center. So we actually

view it as a positive that it plays to some of the strengths of our products and solutions.

Jeff Christensen | Investor Relations:

Okay, thanks. How do distributors support Ideal Power's commercialization strategy?

David Somo | President and Chief Executive Officer:

From a couple of perspectives here, one is, first and foremost, they effectively multiply our sales reach and feed on the street to be able to promote and design in our products. They have existing relationships over a long period of time, typically with their customer base. We're a newer company with newer technology. They help us open the door and get into those companies and help us to design in our products and expand our reach. and then they also sell complimentary products so they can offer their customers more of the solution. So this is an area where bringing together V-TRAN together with some of their existing portfolio can provide a stronger solution to the customers they work with and help us design in our products.

Jeff Christensen | Investor Relations:

Thank you. The next submitted question is should investors expect other customers to move from 63 amps to 125 amps as well? and what current ratings are current customers asking for?

David Somo | President and Chief Executive Officer:

Okay, so I'll take that one. I mostly answered that question, I think, during one of Adam's questions of where does this fit. But we expect to see a range of SSCB products from customers, a reference from anywhere as low as 40 amps, scaling all the way up to more than 1,000 amps and multiple different step points in between. So I do expect we're going to see a portfolio of SSC products developed over time by those companies who are selling solid-state circuit protection into high-voltage DC applications like AI data center and energy infrastructure. And we're working on a portfolio or roadmap of RDKs to help enable those different levels of power in different products. For example, our current DTRAN is rated for 1,200 volts, 75 amp operation. And you can put multiple of those together to increase the power level or current level. But we also have the SimCool products, which are designed for packaging multiple B-Trans together to increase the current rating up to about 200 amps. And so different paths to enable different current ratings in solid-state circuit protection products with our B-Trans portfolio.

Jeff Christensen | Investor Relations:

Thank you. The next submitted question is, have you provided BTRAN devices to any universities to increase awareness of your product?

Tim Burns | Chief Financial Officer:

So, yes. So, it's not revenue-producing activity, so it's not something we discuss often, but we actually have now two projects with major universities here in the U.S. related to BTRAN. So it is something that we're focused on. We realize there's benefits to engaging with the universities. It's just not something that, since it doesn't translate to revenue that we typically focus on in our public communications.

Jeff Christensen | Investor Relations:

Thank you. The next question, have you discussed with Richardson Electronics on using BTRAN in their R&D? So, yes.

David Somo | President and Chief Executive Officer:

We actually have had discussions with them as Richardson Electronics is an authorized distributor of our products as how they may fit into some of their power systems. Thank you.

Jeff Christensen | Investor Relations:

Next question is, what evidence should investors look for over the next several quarters to evaluate the company's commercial execution beyond simply looking at reported revenue?

Tim Burns | Chief Financial Officer:

Yeah, so I'll take this one. So the major thing is executing on agreements, including the ones that we're working to finalize that David discussed in the call earlier. So it's really, in the short term, if we're looking at the first half of 2027, it's those NRE agreements, revenue producing agreements with customers. It is more traction on the RDKs, which we're shipping more and more of those out and out of prospective customers. And it's potentially design-ins. If we look at the second half of next year, and we often get a lot of questions on revenue and revenue timing, but it's really the second half of next year where we're expecting to see, you know, the product revenue from the data center market. That's just the timing of we believe that that market will really start to transact. So the first half, again, is more to the development agreements, NRE agreements, and potentially small orders and RDK orders, but it's the second half where we're really expecting the production orders and revenue from product sales.

Jeff Christensen | Investor Relations:

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

David Somo | President and Chief Executive Officer:

I want to thank our employees for their continued innovation and execution and thank all of you for joining us today and for your continued support. We remain focused on executing our commercialization plans. We look forward to updating you on our progress next quarter. Operator, you may end the call.

Matthew | Conference Call Operator:

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