

NASDAQ:MRAM Q2 2025 Earnings Call Transcript

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Operator | Conference Operator:

Good afternoon and welcome to Everspin Technologies second quarter 2025 financial results conference call. At this time, all participants are in a listen only mode. At the conclusion of management's prepared remarks, instructions will be provided for the question and answer session. As a reminder, this conference call is being recorded. I would now like to turn the conference over to Monica Gold, investor relations for Everspin.

Monica Gould | Investor Relations:

Thank you, Operator, and good afternoon, everyone. Everspin released results for the second quarter 2025 ended June 30, 2025, this afternoon after market close. I'm Monica Gould, Investor Relations for Everspin. And with me on today's call are Sanjeev Agarwal, President and Chief Executive Officer, and Bill Cooper, Chief Financial Officer. Before we begin, I would like to remind you that today's discussion may contain forward-looking statements regarding future events, including, but not limited to, the company's expectations for Everspin's future business, financial performance, and goals, customer and industry adoption of MRAM technology, successfully bringing to market and manufacturing products in Everspin's design pipeline, and executing on its business plan. These forward-looking statements are based on estimates, judgments, current trends, and market conditions and involve risks and uncertainties that may cause actual results to differ materially from those contained in the forward-looking statements. We would encourage you to review the company's SEC filings, including the annual report on Form 10-K and other SEC filings made from time to time in which the company may discuss risk factors associated with investing in Everspin. All forward-looking statements are made as of the date of this call, and except as required by law, the company undertakes no obligation to update or alter any forward-looking statement made on this call, whether as a result of new information, future events, or otherwise. The financial results discussed today reflect the company's preliminary estimates and are based on the information available as of the date hereof and are subject to further review by Everspin and its external auditors. The company's actual results may differ materially from these estimates as a result of the completion of financial closing procedures, final adjustments, and other developments arising between now and the time that the financial results for this period are finalized. Additionally, the company's press release and statements made during this conference call will include discussions of certain measures and financial information in GAAP and non-GAAP terms. Included in the company's press release are definitions and reconciliations of GAAP net income to non-GAAP net income, which provide additional details. A copy of the press release is posted on the Investor Relations section of Everspin's website at www.everspin.com. And now I'd like to turn the call over to Everspin's President and CEO, Sanjeev Agarwal. Sanjeev, please go ahead.

Sanjeev Agarwal | President and Chief Executive Officer:

Thank you, Monica. And thanks everyone for joining us on the call today. Turning to our second quarter results. We are pleased to report our second quarter results with revenue of 13.2 million and non-GAAP earnings per share of 3 cents with revenue toward the high end of our guidance range. Our performance this quarter was driven by strength across all products, specifically in data center, industrial automation, and low earth orbital or LEO applications. We saw high single digit sequential growth in the data center business. This growth was driven by strong demand on redundant array of independent disks or RAID from a broad selection of data center customers, including Dell, Supermicro and others. We saw good momentum from our customers who build industrial automation equipment like programmable logic controllers or PLCs with

sequential growth in excess of 20% from the first quarter. Aversman has a significant historical business here, and we are seeing momentum from current customers and recent design wins with our industrial X byproduct. We saw good traction in the space and aerospace segments that continue to value the benefits of MRAM as a reliable, persistent, non-volatile memory for LEO deployments. During the second quarter, we reached a steady state of revenue from the sale of a persist 1 gigabit STTM RAM into IBM's Flash Core Module 4, or FCM4, for data center applications and continue to anticipate product revenue from this ongoing project to remain consistent for the remainder of the year. We continue to ship and recognize revenue for our Persyst MRAM solution from Lucid Motors for their Gravity SUV and expect volumes to increase as the automaker ramps production. We shipped engineering samples for the two new products we announced last quarter as part of our X-Pi family, the Persyst EM064LX-HR and EM064LX-HR. 128 LXHR. These parts feature an expanded temperature range to address the growing demand for persistent high-speed memory in aerospace, defense, and extreme industrial environments, and provide designers with a robust, fast, and scalable alternative to static RAM or NORFLASH. We remain on track to ramp to full production in late 2025, turning to our licensing, royalty, patent, and other revenue. We completed the first phase of the front-grade project successfully, meeting all our deliverables in Q2. During this phase, we recognized revenue related to delivering the process design kit, or PDK. This contract allows for the award of future optional phases based upon successful performance of all parties contributing to this phase, and at the discretion of the US government. As a reminder, the goal of the project is to enable production of embedded radiation hard STT MRAM macros for use in aerospace applications. We saw a sequential uptake in revenue from our contract with QuickLogic for our innovative Agilis MRAM technology in the second quarter. As a team, we continue to advance the development and demonstration of strategic, radiation-hardened, high-reliability FPGA technology. At the end of this phase, we will have validated the design on silicon. Our contract with Purdue University to provide our state-of-the-art STTM&M technology to support energy-efficient AI solutions has reached a steady state. We are making good progress to develop low-power magnetic channel junction, or MTJ, devices and continue to share these results with Purdue University. Lastly, we continue to recognize revenue from our ongoing project with the leading provider of sensor devices to provide foundry services for their latest generation TMR sensor device on our MRAM line in our Chandler facility. With respect to below the line items, we recognize 0.8 million in other income in the second quarter and 7.4 million to date from the 14.6 million contract we have with the DOD contractor to develop a sustainment plan for our MRAM manufacturing facilities to provide continuous onshore MRAM capabilities to their aerospace and defense customers. We expect this business to pick up meaningfully in the fourth quarter. In order to ensure that we meet the future demand for our products, we are expanding our executive team with the addition of a dedicated VP of sales, Sean Dougherty, who joined us recently from Intel. With Sean's addition, David Schrenk, who has been our VP of sales and business development for the last three years, will be able to focus his efforts exclusively on business development. Our outlook for 2025 remains consistent. We continue to expect the year to be waited more heavily towards the second half of 2025 due to our typical seasonality and do not expect a direct material impact from our tariffs on our results. I will now turn it over to our CFO, Bill Cooper, who will walk you through our second quarter financials and third quarter 2025 guidance. Bill?

Bill Cooper | Chief Financial Officer:

Thank you, Sanjeev. Our results reflect the consistency of our execution. During the second quarter, we delivered revenue of \$13.2 million at the high end of our guidance range of \$12.5 million to \$13.5 million, driven by strength across all of our products. MRAM product sales in the second quarter, which included both toggle and SCT MRAM revenue, was \$11.1 million compared to \$9.9 million in Q2-24, up slightly from product sales of \$11.0 million in the first quarter. Licensing, royalty, patent, and other revenue in the second quarter increased to 2.1 million compared to 0.7 million in Q2 of 24. This increase was driven by the ramp in our contract with Purdue. Turning to gross margin, our GAAP gross margin was 51.3% for the second quarter, down slightly from 51.4% in the first quarter, and up from 49% in Q2 of 24. The increase relative to the same period last year was due to a larger mix of high margin licensing and other revenue. GAAP operating expenses for the second quarter of 2025 were 8.7 million, flat as compared to 8.7 million in the first quarter,

and up from 8.0 million in the second quarter of 2024. In the second quarter of 2025, the company recorded 0.8 million of other income related to the strategic award we won in August of last year to develop a long-term plan, provide manufacturing services for aerospace and defense segments. We recorded second quarter non-GAAP net income of 0.7 million or 3 cents per diluted share based on 22.6 million weighted average diluted shares outstanding. This was in line with our guidance range of non-GAAP net income of breakeven to \$0.05 per share and a significant improvement from a non-GAAP net loss of \$0.6 million or a loss of \$0.03 per share in the second quarter of 2024. As a reminder, non-GAAP results are calculated by removing the impact of stock-based compensation. We are pleased that our balance sheet remains strong and debt-free. We ended the quarter with cash and cash equivalents of \$45.0 million up 2.8 million from 42.2 million at the end of the prior quarter. Cash flow generated from operations increased to 5.0 million for the second quarter, up from 1.4 million in the first quarter, driven by improved accounts receivable collections. We will continue to utilize our cash in developing new products, enhancing our sales and marketing efforts, and as an effective hedge against macroeconomic uncertainty. We did not experience any tariff-related impact on our results in the second quarter and do not expect any material tariff-related impact in the coming quarters pending further guidance from the Trump administration. As Sanjeev mentioned, we continue to expect 2025 to be more heavily weighted towards the second half of the year, reflecting our typical seasonality. Taking these factors into consideration, we expect Q3 total revenue in the range of \$13.5 million to \$14.5 million and GAAP net loss per fully diluted share to be between \$0.05 and break-even. On a non-GAAP basis, we anticipate net income per fully diluted share to be between \$0.02 and \$0.07. In summary, we are pleased with our solid results this quarter and remain committed to maintaining financial discipline while focusing on scaling our business and converting additional design ones to revenue. Operator, you may now open the line for questions.

Operator | Conference Operator:

Thank you. At this time, we will conduct our question and answer session. Please remember, to ask a question, you will need to press star 11 on your telephone and wait for your name to be announced. To withdraw your question, please press star 11 again. Please stand by while we compile the Q&A roster. Our first question comes from the line of Richard Shannon . Your line is now open.

Richard Shannon | Analyst, Craig-Hallum:

Well, great that you guys are letting me ask a few questions here. I apologize I jumped in a little bit late in the call, so I may have missed some topics here. But as I typically do, I'd love to ask about product gross margins in the quarter. If I did my numbers right, it seems like they're in line or a little bit lower than last quarter and kind of a bit lower than maybe what the trend we've seen in the last several quarters here. So I want to get a sense of whether there's any yield or mixed dynamics going on in here.

Bill Cooper | Chief Financial Officer:

They're earlier in the lifecycle, so we're always looking for ways to improve those gross margins and working with the foundries and the folks in manufacturing to improve continuous improvement on the yields.

Richard Shannon | Analyst, Craig-Hallum:

I guess, is there a path or a view to getting those product gross margins up above 50% any time soon?

Bill Cooper | Chief Financial Officer:

Yeah, that is our target. We expect to be north of 50% in total for product gross margins. But, you know, as always, those things take a little bit of time. But we do expect to be solidly in that 45% to 50-ish percent margin range for products.

Richard Shannon | Analyst, Craig-Hallum:

Okay. Fair enough. Thanks for that update. I would love to ask about kind of progress in the new product area here. I think you mentioned a couple of brief comments in this area, but – It doesn't sound like we should expect a notable increase here as we exit the year. I think the phrase I heard used was going to full-volume production with these products late this year. So if I caught that right, maybe it can help us understand what kind of contributions we should look for as we get into next year.

Bill Cooper | Chief Financial Officer:

Yeah, I think on those newer products, right, they are ramping and they are kind of in the burgeoning, Aerospace segment, that's one of the key segments, key industries for that area. And we definitely are starting to see some uptick and, again, some good traction on some of the newer parts and products. So I think we're, you know, we're moving along helpfully with those products.

Sanjeev Agarwal | President and Chief Executive Officer:

I'm going to add some thought after that, Richard. Hi, this is Sanjeev. Like we said in our prepared comments, we did see significant sequential growth, almost 20% compared to Q1. And a good portion of that is actually attributed to this new product of the X5 family that we brought to market over the last couple of years. So we are seeing good traction and we are seeing some volume pick up. As to how much it will be, it's a little bit difficult for us to break that out. But I do think that you'll see some contribution of that in the projection for the revenue that we have for Q3 and going up into Q4.

Richard Shannon | Analyst, Craig-Hallum:

Okay, fair enough then. Maybe let's ask on the product side here from an end market perspective. You mentioned some nice dynamics here in data center, and you pulled out some stuff in automotive here. Maybe just talk about the dynamics you're seeing in the broader industrial markets and even by geographies, as I think you've talked about from time to time in the past here, what the trends are looking like. I think we're seeing you know, a lot of moving parts both up and down as we see other companies reporting so far and love to get your sense of what you're seeing.

Sanjeev Agarwal | President and Chief Executive Officer:

Yeah, so the good news for Iverspen from Iverspen's point of view is that we are actually seeing depletion of inventories at our customers almost all across the world, specifically in the Asian region where we were concerned about inventory overbuilds. I think we are actually seeing some good a number of orders come in from that region, so that's good. And again, most of these are either in the automation or in the data center. And by data center, I mean the RAID memory or general memory applications. So, you know, the Dells, the Super Micros, the Broadcoms. And then as far as automation, you know, those are our traditional customers from across the world that use them for programmable logic controllers. So we're starting to see some uptick in that activity as well.

Richard Shannon | Analyst, Craig-Hallum:

Okay. Great to see. And my last question, I'm just hunting through my notes here from the call. I believe Billy had mentioned something about a pickup in some specific contract. I apologize. My handwriting here is pretty bad. But something in a pickup in the fourth quarter. Maybe you could repeat that and then describe a little bit more about what's going on there, please. Thank you.

Bill Cooper | Chief Financial Officer:

Yes, yes. So that is the other income that we have from the momentum contract that we were awarded late last year. And you would expect to see some activity in that contract in the back half of the year.

Richard Shannon | Analyst, Craig-Hallum:

Okay. So when you talk about a pickup there, any way you can quantify what we're talking about relative to the Third quarter to, you know, I think you had a fairly sizable quarter in this contract sometime last year. Maybe you can just kind of size that for us somehow, please.

Bill Cooper | Chief Financial Officer:

Yeah, we had a strong back half last year. We'll expect to see a strong second half and particularly more toward Q4 as well.

Richard Shannon | Analyst, Craig-Hallum:

Okay. I think that is all the questions for me. Thank you, guys. Anytime, Richard. Thank you.

Operator | Conference Operator:

Thank you so much. And please, as a reminder, to ask a question, please press star 1-1 on your telephone. You will then hear an automated message advising your hand is raised. To withdraw your question, please press star 1-1 again. One moment while we compile our Q&A roster. All right. Our next question, again, comes from the line of Richard Shannon with Craig Holland. Your line is now open.

Richard Shannon | Analyst, Craig-Hallum:

All right. Well, I guess I could have just stayed in here. Let's hear, I guess, two questions from me. First one is, in terms of the quick logic relationship there, Maybe I caught the language wrong here, but is this something that you're finished the current contract, you're waiting for the new one, or just want to get a sense of the timing and dynamics of where we are with the last announcement? Please.

Sanjeev Agarwal | President and Chief Executive Officer:

Yeah, so as far as the completion of the phase, I was referring to the front grid project, Richard. We did complete the first phase of that project in Q2, and now we are dependent on renewal of the project phase. And that is actually funded, I think FrontGrid is actually funded through the AFRL. So that's what we're waiting on next. On the QuickLogic, we continue to deliver on the deliverables that we had signed up for in Q2. There's nothing significant to report over there except that we have met our deliverables and continue to

work on future deliverables.

Richard Shannon | Analyst, Craig-Hallum:

Okay. When do you expect that contract to complete?

Sanjeev Agarwal | President and Chief Executive Officer:

The quick logic one, I think the total value of the project and the time is almost another two years, if I'm not mistaken.

Richard Shannon | Analyst, Craig-Hallum:

Got it. Okay. My last topic to touch on here is, you know, following up on the press release that you did with Lattice Semi-Ukter as a companion to the FBJ chips they sell there, wanted to get kind of an update there on the progress. I know this is something that was going to take a number of quarters to Come to fruition, but let me get your update on that one. That's all for me. Thanks.

Sanjeev Agarwal | President and Chief Executive Officer:

Yeah, so, I mean, as we talked about last time, we do have some activity going on with LARIS where they're actually doing a co-package solution using our X-Py part of, I believe it's either 32 or 64 megabit density. And I think that evaluation is ongoing, and I think those parts are now available for our customers to evaluate through different distributors. For example, DigiKey, you can get the boards from there for evaluation. And then also on GitHub, we have the drivers available to actually download the drivers to evaluate those parts. So I think the collaboration is going well. It's just, like you said, it's going to take a couple of quarters before you see any significant traction.

Richard Shannon | Analyst, Craig-Hallum:

Okay. I'm sure I'll ask – In a couple quarters on that, we look forward to hearing more about that. That's all from me, guys. Thank you.

Sanjeev Agarwal | President and Chief Executive Officer:

Thank you, Richard.

Richard Shannon | Analyst, Craig-Hallum:

Thank you.

Operator | Conference Operator:

Thank you so much. I am showing no further questions. I would now like to turn the call over to Sanjeev for closing remarks.

Sanjeev Agarwal | President and Chief Executive Officer:

Thank you, operator. I just wanted to thank everyone for joining the call today and look forward to giving you guys an update for next quarter.

Operator | Conference Operator:

Thank you. This does conclude today's conference. Thank you for your participation. You may now disconnect.