

NASDAQ:MRAM Q3 2025 Earnings Call Transcript

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Operator | Conference Operator:

Good afternoon and welcome to Everspin Technologies' third 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 Gould, Investor Relations of Everspin.

Monica Gould | Investor Relations:

Thank you, Operator, and good afternoon, everyone. Everspin released results for the third quarter 2025, ended September 30, 2025, this afternoon after market closed. 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 the call, 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 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, are based on 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.everspins.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. We are pleased to report third quarter results with revenue of \$14.1 million and non-GAAP EPS of \$0.06 per diluted share with revenue in line with our guidance range and EPS towards the high end of our expectations. Our performance this quarter was driven by strength across all products, specifically in Low Earth Orbital, or LEO, applications, casino gaming, and energy management. In addition, our data center business remains strong with continued demand for our toggle MRAM products for redundant array of independent disks or RAID from a broad selection of data center customers, including Dell, Supermicro, and others. The LEO satellite market is expected to grow rapidly in the coming years. Everspin MRAM, with its reliability at extreme temperatures

and harsh ambient, is ideally suited for these deployments. As mentioned in our last call, we are seeing good traction in this market with announced design wins with AstroDigital and Blue Origin. It is our understanding that LEO satellites have a short lifespan of three to five years, primarily due to atmospheric drag impacting the orbit. Design wins in this market with multiple Everspin MRAM parts per satellite is expected to translate into meaningful revenue for Everspin as this market grows. As anticipated, revenue from the sale of our persist 1-gigabit SCTM RAM into IBM's Flash Core Module 4, or SCM4, for data center applications remained consistent with the prior quarter, and we continue to anticipate revenue from this project to remain at this level 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. In Q3, we continue to ship engineering samples of the Persyst EM064LXHR and EM128LXHR to several LEO satellite customers and remain on track to ramp to full production in the fourth quarter 2025. Turning to our licensing, royalty, patent, and other revenue. We continue to successfully execute on our deliverables for our contract with Purdue University to provide our state-of-the-art STTM RAM technology for energy-efficient AI solutions. During the first half of the year, we characterized a process to establish a baseline for percent MR, magneto resistance, and switching reliability. More recently, we developed materials with higher percent MR and characterized devices using these new materials and processes. These advancements position us favorably for the next phase of the project. Lastly, we continue to recognize revenue from our ongoing project with the leading provider of sensor devices to provide services for their latest generation DMR sensor device on our MRAM line in our Chandler facility. With respect to below the line items, we recognize 1.2 million in other income in the third quarter and 8.5 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 continue to expect this business to pick up meaningfully in the fourth quarter. As we announced last month, we entered into a strategic collaboration with Quinteros to strengthen the reliability and safety of RISC-V-based platforms with our MRAM offerings. This partnership is focused on automotive, industrial, and edge applications where data persistence, integrity, low latency, and security are critical. The goal is to jointly build reference design that would lay the foundation for scalable, reliable platforms for these applications. I will now turn it over to our CFO, Bill Cooper, who will walk you through our third quarter financials and fourth quarter 2025 guidance.

Bill Cooper | Chief Financial Officer:

Bill? Thank you, Sanjeev. Our results reflect the consistency of our execution. During the third quarter, we delivered revenue of \$14.1 million up 16% year over year, and in line with our guidance range of 13.5 million to 14.5 million, driven by higher product sales. MRAM product sales in the third quarter, which include both toggle and STT MRAM revenue, was 12.7 million, up 22% over the third quarter of last year. Licensing, royalty, patent, and other revenue in the third quarter decreased to \$1.4 million from \$1.7 million in Q3-24 due to the completion of projects in Q4-24 and Q1-25, which were active in Q3-24. Turning to gross margin, our GAF gross margin improved 51.3% for the third quarter, up just over 200 basis points from 49.2% in the third quarter of 2024. Despite the slight decrease in licensing and other revenue year over year, we were able to maintain gross margins consistent with Q2 levels due to improving yields on our STT products, driven by process improvements developed in collaboration with our foundry partner. GAAP operating expenses for the third quarter of 2025 were \$8.8 million, up slightly sequentially, an increase from \$8.1 million in the third quarter of 2024. Other income of 1.2 million was related to the strategic award we won in August of last year to develop a long-term plan to provide manufacturing services for aerospace and defense segments. We recorded third quarter non-GAAP net income of 1.5 million, or six cents per diluted share, based on 23.1 million weighted average diluted shares outstanding. This was toward the high end of our guidance range of non-GAAP net income of 2 cents to 7 cents per share and compares to non-GAAP net income of 3.8 million or 17 cents per share in the third quarter of 2024. The decrease versus the year-ago period was driven by lower other income stemming from lumpiness inherent in our DoD MRAM contract services as Q3 24 required higher levels of activity upon initiation of the contract in that quarter. As a reminder, non-GAAP

results exclude 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 45.3 million, up 0.3 million from 45 million at the end of the prior quarter. Cash flow generated from operations decreased to 0.9 million for the third quarter, from 5 million in the second quarter which was driven by higher collections on receivables on a change in distributors. We did not experience any tariff-related impact on our results in the third quarter and do not expect any tariff-related impact in the coming quarter. We expect Q4 total revenue in the range of \$14 million to \$15 million and GAAP net income per fully diluted share to be between 2 cents and 7 cents. On a non-GAAP basis, we anticipate net income per fully diluted share to be between 8 cents and 13 cents. In summary, we're pleased with our solid results this quarter and remain committed to maintaining financial discipline while focusing on scaling our business and converting additional design wins to revenue. Operator, you may now open the line for questions.

Operator | Conference Operator:

Thank you. To ask a question at this time, please press star 1-1 on your telephone and wait for your name to be announced. To withdraw your question, please press star 11 again. One moment for our first question. Our first question comes from the line of Neil Young with Needham and Company. Your line is open. Please go ahead.

Neil Young | Analyst at Needham & Company:

Hey, everyone. Thanks for letting me ask a question. First question, so three-quarters in a row now of non-GAAP gross margin over 52%. Just curious, I guess, how sustainable you think this is going forward?

Bill Cooper | Chief Financial Officer:

Yeah, I think we saw some improvement this quarter, Neil, on the product gross margin, specifically, as well, based on some of our yield improvement initiatives and our factory utilization. But to answer your question directly, I think we'll see, you know, that's a good, strong result for us. We do expect to kind of continue to be in that range overall.

Neil Young | Analyst at Needham & Company:

Okay, great. Thanks. And then, so the sequential decline in licensing, royalty, patent, and other, I know you talked about it a little bit, but I was just hoping you could maybe provide some more detail just on the sequential decline and then sort of, if possible, where you think that is going in 4Q.

Bill Cooper | Chief Financial Officer:

Yeah, there was, you know, these projects, right, and that kind of bucket of non-product revenue encompasses a lot of different things. including any license revenue, any engineering service revenue, you know, different foundry services that we provide as well. And so really on that particular piece of our revenue, that can be, I'll call it somewhat lumpy as we go forward in time, and even some of the initiatives that we have where we do work for other groups that we've mentioned in the past, you know, those projects tend to be, you know, anywhere between, you know, one year to 18 months type, two years type projects typically. So they do wrap up, right? And then on the second part of your question, you know, I think as we see sort of this level of product, non-product revenue, we'll probably expect that to kind of continue to be around that range, right? Kind of in the, again, we've been in that 10 to 15% range, probably more in the 10% range.

Operator | Conference Operator:

we go forward okay perfect thank you thank you and as a reminder to ask a question please press star one one i'm showing no further questions at this time so oh hold on we have a follow-up question okay we do have a follow-up question from mill young with needham and company please go ahead

Neil Young | Analyst at Needham & Company:

Hey, thanks. Sorry, again. Just a question on OpEx. So it was flat again in the quarter on a non-GAAP basis. Sorry, it was flat again in the quarter. So similar, should we sort of assume that it stays in that \$7.5 million range going forward? And that's all I have. Thanks.

Bill Cooper | Chief Financial Officer:

Yeah, Neil, that's a safe assumption. We continue to sort of manage through on OpEx, and we've been pretty consistent throughout this year. Now, again, we've sort of indicated that we are going to continue to sort of move toward product development type costs, but for Q4, you're going to see a lot of consistency.

Neil Young | Analyst at Needham & Company:

Thank you.

Operator | Conference Operator:

Thank you. And now I'm showing no further questions at this time. Ladies and gentlemen, this will conclude today's question and answer session. This will also conclude today's conference call. Thank you for participating, and you may now disconnect. Everyone, have a great day.