NASDAQ:MRAM Q4 2025 Earnings Call Transcript

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Operator | Conference Call Operator:

Good afternoon and welcome to Everspend Technologies' fourth quarter 2025 financial results conference call. At this time, all participants are in a listen-only mode. After 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 for Everspend. You may begin.

Monica Gould | Investor Relations, Everspin Technologies:

Thank you, Operator, and good afternoon, everyone. Everspin released results for the fourth quarter and full year 2025 ended December 31, 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 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 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, 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.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, Everspin Technologies:

Thank you, Monica, and thanks, everyone, for joining us on the call today. We are pleased to report fourth quarter results with revenue of $14.8 million and non-GAAP EPS of $0.11 per diluted share with revenue towards the high end of our guidance range and EPS in line with our expectations. Our performance this quarter was driven by strength in data center, energy management, and industrial automation applications. Growth in data center was driven by our ongoing work with IBM on the FCM4 module as well as its recently introduced FCM5 and the redundant array of independent disks or RAID reference design at the top five hyperscale operators. Within energy management and industrial automation, we saw demand return to

normal levels after a period of inventory consumption that dampened demand in the prior year. With respect to below the line items, we recognize $2 million in other income in the fourth quarter and $10.5 million to date from the $14.6 million contract we have with a 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 progress on schedule with estimated completion in the first half of 2027. On the product side, we had a total of 238 design wins in 2025, up from 178 in the prior year. Our pipeline of new design wins for our RamRam products speaks to the continuing technical innovation from the Everspin team introducing new products to meet customer demand. These design wins support new customers and existing customers with new programs in industrial automation, casino gaming, energy management, and military and aerospace applications. Turning to some of our product development efforts. We continue to expand our XPI STTM RAM portfolio in response to demand from our customers. We are pleased to announce that during the fourth quarter, we ramped our Persyst 64 megabit XPI STTM RAM high reliability product to full production and saw strong demand driven by new customer interest and design wins, specifically in the low earth orbital or LEO satellite market. These devices are AEC Q100 grade one qualified, and ideally suited for use in harsh conditions such as 125 C Celsius operating temperature with a minimum 10 years of data retention. These capabilities are demanded by our customers to secure critical data in a variety of systems from aerospace and defense to industrial applications including automotive. We are taking orders to support high volume production from our customers and began shipping in the current quarter. In addition, we are in the process of qualifying high density, high reliability parts of 128 megabit and 256 megabit that will be available in high volume in the second half of this year. We are on track to tape out a monolithic 256 megabit XPI STDM RAM device on a 16 nanometer FinFET node at TSMC in the second half of this year. This part will be our first product in the Unisys family, unifying code storage and data memory in a high density, non-volatile architecture for edge AI, industrial, and mission critical designs. It is designed to deliver high bandwidth read and write speeds in a non-volatile memory device, enabling fast boot, rapid updates, and predictable performance without the trade-offs of traditional flash-based designs. By combining high-speed access with persistent storage, this family of parts will support software design systems that require frequent reconfiguration while maintaining data integrity across power cycles. As part of our efforts to build onto our partner network, we recently qualified our persist 64 megabit XPI STTM RAM for microchips PIC64-HPSC series of 64-bit microprocessors, or MPUs, and are supporting the ecosystem for components being qualified by microchip. This ecosystem includes several industry partners that jointly offer solutions tailored for the harsh environmental conditions in space. The high-density, high-reliability X-Py STD MRAM parts I discussed earlier would be an ideal solution for this application. MRAM is achieving significant success as a leading embedded non-volatile memory in IoT, automotive, and AI edge devices. Yet, the densities and performance options of embedded MRAM macros have been limited. At the same time, the semiconductor industry is moving towards chiplets to overcome rising costs, manufacturing complexity, and yield limitations of traditional large monolithic chips. especially when combining leading-edge logic with volatile or non-volatile memory. Chiplets enable mix and match process nodes, greater customization, and reuse of building blocks, providing new freedom of degrees in the form of heterogeneous packaging solutions. With organizations such as the Open Compute Project embracing chiplets from the hyperscale data center to the edge, it is foreseeable that chiplets will be ubiquitous. This trend increasingly favors Everspin given our focus on marketing chip solutions, including chiplets, and licensing our technology to embedded MRAM partners. In 2025, we further advance our efforts in this area through several initiatives. We engage with the Fraunhofer Chiplet Center of Excellence to analyze next-generation automotive compute platforms and corresponding MRAM use cases. We subsequently progress to engage on system level simulations into which we plan to provide MRAM simulation models to allow an assessment as well as quantification of the benefits that MRAM can provide in various use cases. Everspin is also participating in an effort to bring MRAM chiplets to the IMEC ecosystem that is aligned with the framework of the Open Compute Project chiplet work streams. IMEC launched the Automotive Chiplet Forum in 2024 to bring together members from the automotive industry to enable an open chiplet ecosystem essential for accelerating innovation, reducing costs, and reinforcing the supply chain. More recently, we joined the newly formed Physical AI Chiplet Ecosystem, or PACE, to help enable MRAM-based solutions for physical AI. As part of this effort to co-develop interoperable and reusable chiplets to reduce development costs and speed time to market for system and ASIC companies, Everspin

will provide a robust, high-performance, non-volatile memory to assist securing PACE chiplets for boot, wait and code storage, as well as lifecycle management solutions. We expect to see chiplets addressing various applications over the next few years. As a reminder, the chiplet is part of our Unisys unified code and data memory solutions, which are currently in the design phase. To further enhance the position in the auto industry, we are working with Quinteros, a joint venture of leading semiconductor companies on a next generation RISC-V based automotive reference design platform. RISC-V is an open standard instruction set architecture, or ISA, based on reduced instruction set computer, or RISC, principles allowing anyone to design, manufacture, and sell chips without paying a license fee for the ISA. Its modular architecture allows designers to create purpose-built accelerators using RISC-V core technology as well as extensions. This also includes new instructions that uniquely integrate and leverage MRAM as a persistent working memory. Given its rapid adoption, it offers a greenfield opportunity to create new MRAM-based architectures that fully utilize all the features and benefits that MRAM has to offer. Before I close, I would like to discuss our long-term strategy, which entails reaching $100 million in annual revenue over the next three to five years. We believe this growth will be driven by the ramp of new products, most notably our new X5 parts in our persist product portfolio, such as the 64 megabit part I described earlier, and continued solid growth in our toggle MRAM and licensing business. Our new Persyst XPY parts are getting solid traction. They're offered in densities from 4 megabit to 256 megabit and include the power optimized SC families and the high reliability or HR families with quad and octal SPY interfaces. For example, in industrial automation, energy management, electric vehicle, and casino gaming markets, reliable high density memory is required for next generation systems. In aerospace and defense markets, such as LEO satellites, flight control systems require reliable, fast, and read and write speeds, and fast boot for configuration. And in the FPGA and the MPU markets for AGI, low standby power, instant on, and high density memory is needed for larger bit streams. We expect our first enhanced serial norm, like Unisys product family, to be in production in 2027 and anticipate these products to contribute to our 100 million revenue target. Before I turn the call over to Bill to walk through our financials and guidance, I would like to briefly touch on the industry environment. As has been widely publicized, the industry is expecting experiencing memory shortages. Memory suppliers, who have for decades been pushed into commoditization, have seen a shift based on unprecedented memory shortages driven by the demands of AI. As a result, they have gone into allocation mode and are moving their capacity up the food chain. Companies that can make Norflash, NAND, and DRAM are shifting those capacities to where they can get more margin out of their fixed capacity. NOR suppliers, for example, are converting their lines to support DRAM to maximize their margins and generate more revenue. This has created a gap in the supply for NOR flash and driving customers to look for alternatives. We are in conversations with customers to evaluate our X5 STDM RAM to replace NOR flash. We have the capacity to support such demand, and our parts are compatible with NOR flash. While these market dynamics are speeding up such conversations, revenue is contingent upon the qualification cycles of our potential customers. I will now turn it over to our CFO, Bill Cooper, who will walk you through our fourth quarter financials and first quarter 2026 guidance. Bill?

Bill Cooper | Chief Financial Officer, Everspin Technologies:

Thank you, Sanjeev. Our results reflect the consistency of our execution. During the fourth quarter, we delivered revenue of $14.8 million up 12% year over year, and toward the high end of our guidance range of 14 to 15 million, driven by higher product sales. MRAM product sales in the fourth quarter, which include both toggle and STT MRAM revenue, were 13.5 million, up 22% over the fourth quarter of the prior year. Licensing, royalty, patent, and other revenue in the fourth quarter decreased to 1.3 million, from $2.2 million in Q4-24 due to the completion of projects which were active in Q4-24. Turning to gross margin, our GAAP gross margin decreased to 50.8% for the fourth quarter, down slightly from the 51.3% in the fourth quarter of 2024 due to lower licensing and other revenue. GAAP operating expenses for the fourth quarter of 2025 were $8.6 million, down sequentially and up slightly from $8.4 million in the fourth quarter of 2024. Other income of $2 million was related to the strategic award we won in mid-2024 to upgrade manufacturing equipment in our existing facility located in Chandler, Arizona. We recorded fourth quarter non-GAAP net income of $2.6 million or 11 cents per diluted share based on 23.8 million weighted average diluted shares outstanding. This

was in line with our guidance range of non-GAAP net income of 8 cents to 13 cents per share and compares to non-GAAP net income of 2.8 million or 13 cents per share in the fourth quarter of 2024. As a reminder, reported 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 $44.5 million down $0.8 million from $45.3 million at the end of the prior quarter. Cash flow generated from operations increased to $2.8 million for the fourth quarter from $0.9 million in the third quarter. We believe our cash and cash equivalents are sufficient to meet our anticipated capital requirements. Our capital requirements depend on many factors, including, among other things, our growth rate, the timing and extent of our spending to support our current and future manufacturing requirements, research and development activities, the timing and cost of establishing additional sales and marketing capabilities, and the introduction of new products. We did not experience any material tariff-related impact on our results in the fourth quarter and do not expect any material tariff-related impact in the coming quarters. Turning to guidance, we expect Q1 total revenue to be consistent with Q4-25 and in the range of $14 to $15 million, and GAAP net loss per fully diluted share to be between 3 cents and net income of 2 cents. On a non-GAAP basis, we anticipate net income per fully diluted share to be between 7 cents and 12 cents. Going forward, we expect to exclude the impact of patent defense costs in addition to stock-based compensation from non-GAAP results. We expect a sequential decline in non-product revenue due to a project completion in Q4-25, which will result in a gross margin headwind. However, we are still targeting gross margin to be in the 50 percent range. In summary, we are pleased with our solid performance 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 Call Operator:

Thank you. Ladies and gentlemen, to ask the question, please press star 11 on your telephone. Then 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 Neil Young with Needham & Company. Your line is open.

Neil Young | Analyst, Needham & Company:

Hey, thanks for letting me ask a question. Great to hear about the Norflash opportunity. I'm curious, you know, sort of, you know, you're talking about that you're in conversations. I guess sort of how fast or how quickly do you think you could see upside from that? And sort of, you know, if you could in any way size the upside, that would be really helpful of possible upside in revenue. Thanks.

Sanjeev Agarwal | President and Chief Executive Officer, Everspin Technologies:

Thank you for the question. So like I said in the prepared remarks, I think it really depends on the qualification cycle for our potential customers. I can say that we are now getting listed as an alternate for Norflash at various distributors worldwide because of the tight supply chain issues that we are seeing with Norflash. So we do expect some upside, but it's very difficult to quantify today as to what that upside can be. But we obviously, you know, available to meet the demand if the requests come in. And it just depends on the call cycle of the customers.

Neil Young | Analyst, Needham & Company:

Great. Thanks. That's helpful. Just one more question for me. You talked about the inventory levels and energy management and industrial automation. You know, they're starting to look pretty healthy or, you know, they think that you think they do look healthy at this point. I guess what gives you confidence that that shouldn't be, you know, it shouldn't be an issue next quarter and going forward? Thanks.

Sanjeev Agarwal | President and Chief Executive Officer, Everspin Technologies:

Yeah, so based on the backlog that we are seeing at our distributors and the forecast that we are seeing at our customers, we do feel that they have burned through the inventory that they had overbuilt over the last year or so. So we are pretty confident that going forward, we would not run into that same issue at least in 2026.

Neil Young | Analyst, Needham & Company:

Thank you.

Sanjeev Agarwal | President and Chief Executive Officer, Everspin Technologies:

Sure.

Operator | Conference Call Operator:

Please stand by for our next question. Our next question comes from the line of Richard Shannon with Craig Hallam. Your line is open.

Richard Shannon | Analyst, Craig Hallam & Co.:

Well, hey, guys. Thanks for taking my question. The last one kind of in the context of this year here. I want to ask about two different contributors here. First of all, on the strategic Rad Hard project you've been working with, your partner in this has talked about a much better year and wondering if that's something similar that you're expecting as well. And then also this quarter and a couple of past ones, you've been talking about some increasing contributions from the LEO satellite market. Great to get a sense of what's kind of the sense of scale of that today, and you see that increasing over this year and over the next couple of years.

Sanjeev Agarwal | President and Chief Executive Officer, Everspin Technologies:

Thanks for the question, Richard, and thanks for joining. Clearly, you seem to be a little bit under the weather, but thank you for joining. Yeah. As far as the LEO satellite market is concerned, I'll let Bill address it. On the QuickLogic project, I think the award that QuickLogic talked about does not relate to the project that we've been working on jointly. And, in fact, I think that's the project that Bill was talking about in his prepared remarks that it's not going to renew in the near future, and we're going to see some decline in that non-product revenue in Q1 of 2020. Q1 of this year. That is still waiting for, you know, some milestones to be met by the other partners in the program, and we expect that to be, you know, kicking in again towards the second half of this year, but not in the first half. Bill, on the LEO satellites.

Bill Cooper | Chief Financial Officer, Everspin Technologies:

Yeah, thanks, Sanjeev. Thanks, Richard, for the question. Yeah, I would say that, you know, the LEO satellite market is still that burgeoning market, and, you know, that's what we see, both in terms of you know, our orders and our backlog, and, you know, we feel confident about our products and our position there, and, you know, we expect to, again, kind of move up with that increased demand, especially as we've introduced our high-rel, high-reliability products as well. That sort of fits perfectly in that particular marketplace as well.

Richard Shannon | Analyst, Craig Hallam & Co.:

Okay, great. Thanks for that. Second question, just on your... giving you Norflash replacement products and maybe taking a different angle than one of the last questions here and also your very interesting comments. But obviously you've been targeting Norflash replacement in certain markets. And if I caught your comments right, Sanjeev, you're talking about, I think, a win with, I think it was Microchip on an MCU. Love to get a sense of when you see that becoming a material contributor here. And then also maybe I think in the past you talked about some other engagements, particularly in the FPGA space, where you were excited about some progress there. Maybe give us an update there as well, please.

Sanjeev Agarwal | President and Chief Executive Officer, Everspin Technologies:

Yeah, good question, Richard. I think there are two partner programs that we're really excited about in particular. One is the one with Lattice, and the other one is this Microchip. And I think we are seeing steady progress with both those partners trying to get our product qualified and integrated into their standard offering. And I think that's where this PIC64 at Microchip comes into play. The markets that they're targeting align very well with Everspan in the aerospace and defense market. And then I think we can then expect to take it into the commercial market as well. But right now, the PIC64 is targeted towards the aerospace and defense as well.

Richard Shannon | Analyst, Craig Hallam & Co.:

Okay, thanks for that. My last question, I'll jump out of line here. Sanjeev, you talked about a goal of driving towards or driving to $100 million of revenues within, I think you said, three to five years. Let me get a sense anyway you quantify or at least rank order of the contributors of that revenue. I think of the big picture here that I think of is the toggle, the, excuse me, the STT products, and licensing, I guess, if there's any other way you'd categorize the contributors, that that'd be very helpful.

Sanjeev Agarwal | President and Chief Executive Officer, Everspin Technologies:

Thank you. So the way I look at it is, you know, the major contributor is going to be the Persyst products, followed by perhaps equal contributions from our licensing and Unisys in, you know, three to five years down the road to hit the $100 million. In the Persyst, I'm including the toggle and RAM markets. products, as well as the XPI STD products that we are shipping today, as well as the STDDR products that we're shipping to IBM. So I think those three would form the portion of the HR, form the portion of the process products that are going to contribute. And this high reliability product family that we have just introduced is going to actually give us a nice boost over there. And then in 2027, we expect Unisys to kick in some volume, and so I think between that, Unisys, and our licensing is what's going to get us to the $100 million mark down the road.

Richard Shannon | Analyst, Craig Hallam & Co.:

Okay. I will jump out of line. Thank you for that, Sanjeev.

Sanjeev Agarwal | President and Chief Executive Officer, Everspin Technologies:

Thank you, Richard. Hope you feel better soon.

Richard Shannon | Analyst, Craig Hallam & Co.:

Thank you.

Operator | Conference Call Operator:

Thank you. Ladies and gentlemen, I'm sure no further questions in the queue. That concludes today's conference call. Thank you for your participation. You may now disconnect.