NASDAQ:MRAM Q1 2026 Earnings Call Transcript

Generated on 6/10/2026

Operator | Conference Operator:

Good afternoon, and welcome to Everspen Technologies' first quarter 2026 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 Amy Grant, investor relations for Everspen. You may begin.

Amy Grant | Investor Relations:

Thank you, operator, and good afternoon, everyone. Everspin released results for the first quarter, 2026, ended March 31st, 2026, this afternoon after market closed. I'm Amy Grant, 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 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 the 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. Including 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, Amy, and thanks, everyone, for joining us on the call today. Before I discuss our first quarter results, I would like to share some exciting news. Today after market close, we announced a new two and a half year, 40 million agreement with a US prime contractor. Under the agreement, Everspin will be a subcontractor on an existing prime contract and will provide process technology capabilities and engineering services for US defense industrial based customers. In addition, Everspin will provide engineering and foundry services for U.S. Department of War, or DOW, products through its recently announced Foundry Services Agreement with Microchip. This agreement builds on our long history of supporting military and aerospace applications where performance, reliability, longevity, and domestic production are critical. Now turning to our first quarter results. We are pleased to report results at the high end of our guidance range with revenue of 14.9 million and long gap EPS of 11 cents for diluted share. Our performance this quarter was driven by strength in industrial automation, transportation, and data center applications. Industrial automation growth was driven by a recovery in customer demand, including Japan, as inventory levels have been worked down. In the transportation segment, growth was driven by the transition of design wins to production at several customers, including two rail applications. One such customer is a railroad operator in Asia, who is utilizing our MRAM technology for critical railway signal applications, such as train axle counters. Axle counters, and by extension, their components must operate in harsh, vibratory conditions, which MRAM can withstand better than other memory technologies. Modern axle counters use MRAM for storing large amounts of diagnostic and maintenance data, allowing for real-time monitoring, such as wheel detection and prevent predictive maintenance. Additionally, MRAM enables more robust data storage, contributing to the high safety integrity levels, SIL4, required for axle counter systems, ensuring accurate detection and reducing false alarms. Another customer is a leading embedded computing company in Asia who chose EverSpring's MRAM solutions for rail transit systems because they reliably preserve critical data during power loss and support unlimited arrays and write cycles. In data center, growth continues to be driven by our ongoing work with IBM on the FCM4 and FCM5 modules and the redundant array of independent disks all rate reference design at the top five hyperscale operators. With respect to below the line items, we recognize 2.1 million in other income in the first quarter and 12.8 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 begin to wind down over the coming quarters with estimated completion in the first half of 2027. Turning to some of our product development efforts. During the quarter, we formally introduced our Unix's MRAM family at Embedded World in early March. This product family represents a new generation of unified memory solutions designed to fundamentally change how embedded systems store and access code and data. Unisys delivers 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. Unisys will extend our MRAM roadmap to higher densities by giving customers a practical way to start with Persyst today and migrate to a code and data MRAM architecture as soon as it is available. Everspin will initially offer the Unisys family in densities ranging from 128 megabits to two gigabits using a standard XSPI interface operating up to octal SPI at 200 megahertz. Target use cases include AI at the edge, military and aerospace, automotive, industrial, and casino gaming. Engineering samples of Unisys are expected to be available in the fourth quarter of 2026. As a reminder, the Unisys family of products will serve the high-density, stand-alone North Flash market, which will expand our addressable market by approximately three billion dollars. Our goal is to capture five to 10% of this market in the early years and then grow further. With respect to the high reliability parts that we announced last quarter, customers have our persist 64 megabit X SPI STTM RAM devices in hand and are engaged in design activity. Additionally, we remain on track to qualify our 128 megabits and 256 megabits high reliability parts and continue to expect them to be available in high volume in the second half of this year. Customers have engineering samples of these parts on hand as they evaluate them in their designs. Building on our existing relationship with Microchip, we recently announced a strategic manufacturing agreement with the company to expand our onshore production capacity and strengthen our long-term supply chain resiliency by creating a second domestic source of supply for our customers. Under the 10-year agreement, we will establish an MRAM line at Microchips Fab in Oregon to manufacture MRAM and TMR sensor products currently produced at our line in Chandler. We expect to ship the first products from the new line in the second half of 2027. I will now turn it over to our CFO, Bill Cooper, who will walk you through our first quarter financials and second quarter 2026 guidance. Bill?

Bill Cooper | Chief Financial Officer:

Thank you, Sanjeev. Our results reflect the consistency of our execution. During the first quarter, we delivered revenue of $14.9 million, up 14% 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 which include both toggle and STT MRAM revenue, were $14.1 million, an increase of 28% over the first quarter of the prior year and up 5% sequentially. Licensing, royalty, patent, and other revenue decreased to $0.8 million from $2.1 million in Q125 due to fewer currently active projects. Our GAAP gross margin increased to 52.7% from 51.4% in the first quarter of 2025 due to higher capacity utilization. GAAP operating expenses were $10.6 million up from $8.7 million in the first quarter of 2025 due primarily to litigation costs as well as higher compensation costs for new and existing employees and professional fees. Other income of 2.1 million was related to the strategic award we won in mid-2024 to upgrade manufacturing equipment in our existing manufacturing 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 23.1 million weighted average diluted shares outstanding. This was at the high end of our guidance range of non-GAAP net income of $0.07 to $0.12 per share and compares to non-GAAP net income of $0.4 million or $0.02 per share in the first quarter of 2025. Our reported non-GAAP results exclude the impact of stock-based compensation as well as litigation expenses. Our balance sheet remains strong and debt-free. We ended the quarter with cash and cash equivalents of $40.5 million, down $4 million from the $44.5 $5 million at the end of the prior quarter. Cash flow generated from operations decreased to $0.5 million for the first quarter, from $2.6 million in the fourth quarter due to the litigation costs I mentioned earlier, as well as increased working capital needs. We believe our cash and cash equivalents are sufficient to meet our anticipated capital requirements to execute upon our Foundry Services Agreement with Microchip and continue to invest in product development to support our future roadmap and enable the company to drive growth. Turning to guidance. Excluding any impact from the new subcontractor agreement that Sanjeev mentioned, we expect Q2 total revenue to be in the range of $15.5 million to $16.5 million. And GAAP results for fully diluted share to be between a net loss of $0.12 to a loss of $0.07. On a non-GAAP basis, we anticipate results to be between break-even and net income of $0.03 per fully diluted chair. These non-GAAP figures exclude the impact of patent litigation costs in addition to stock-based compensation expense. 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 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, everyone. Thank you for letting me ask a question. So the 40 million contract that you just announced, could you give us, you know, like the shape on how you're thinking that revenue layers in or, you know, anything you can share on the milestone payments, such as, you know, how achievable you think the milestones are, what are the biggest risks to the milestones? And then lastly, will that revenue live in the licensing royalty patent bucket? And I have a follow up. Thank you.

Bill Cooper | Chief Financial Officer:

Yeah. Hey, Neil, this is Bill. Thanks for the question. Yes, so we really aren't giving any guidance related to that particular subcontract agreement just yet, but of course we do expect to have a significant positive impact over the next two and a half years to the financials. In terms of meeting and achieving the milestones, yes, that was negotiated with the group involved and

Neil Young | Analyst, Needham & Company:

we're very confident in our ability to deliver on the milestones okay thanks um and then could you maybe speak to what grow what drove the gross margin strength in the quarter uh you know as the sdp portfolio uh continues to evolve you know are you maybe starting to see higher asps come through here and then also you know should we sort of expect to see this gross margin the gross margin hold in this range or revert back to similar levels of 4Q25? Thank you.

Bill Cooper | Chief Financial Officer:

Yeah, good question. I think a couple of things, right? So the first is strong quarter on the margins, you know, again, as we've sort of always noted, we do target 50% plus in terms of gross margin. You know, I think as we sort of see that list in the top line and that volume increase, right, you kind of get into that beneficial arena of, you know, higher capacity utilization. And obviously, right, you guys are always looking at ways to reduce costs and improve our yields. So all those things factor in.

Sanjeev Agarwal | President and Chief Executive Officer:

Thank you.

Operator | Conference Operator:

Thank you. Our next question comes from the line of Richard Shannon with Craig Halland Capital Group. Your line is open. Okay.

Richard Shannon | Analyst, Craig-Hallam Capital Group:

Thanks for letting me ask some questions here. I'm going to follow up on this $40 million contract here. I guess a few questions here for me and one to follow up from your response, Bill, here about why you don't have any revenue thoughts here you can give today. Is that because you're not allowed to or because you don't know what the shape and structure and timing looks like? I want to get a sense of what kind of margin profile we should expect over the life of the contract. Okay.

Bill Cooper | Chief Financial Officer:

Yeah, good questions. So, you know, I'll try and elaborate a little bit further. You know, the contract itself, right, the ink on that is just drying, and obviously it's going to have a significant impact on the financials. And so, you know, we're looking at all of the various impacts of that. And as we – you know, run through Q2 and get the results and get the kickoff of the contract and all the various pieces, right, we'll give you guys better guidance as we go into the end of this Q2. And then in terms of margin, yes, I would expect that, you know, that is also going to have a bit of a beneficial impact margin as well. But, you know, again, that sort of have to be a little careful there. We're going to, again, reiterate, we do target the 50% plus margin or gross margins.

And, again, we have to sort through all the colors of that significant contract.

Richard Shannon | Analyst, Craig-Hallam Capital Group:

Okay. I want to ask a follow-up about this contract in context of other activities you have or may have going on in the future here. So you've referenced today and in the past year this, I think it's a $14.6 million contract for I forget the word you use here, continuity plan or something. And I think there's an RFQ out there from the U.S. government about, you know, maybe establishing 300 millimeter capacity here. And then you've obviously recently, as you announced, I can't remember, last month or whatever, adding some more capacity at microchip. To what degree do all of these things interrelate here? Can you kind of tie these things together or if they're not tied together, tell us? I'd just love to get a Kind of some context here, please.

Sanjeev Agarwal | President and Chief Executive Officer:

Hi, Richard. This is Sanjeev. Good question, and I think maybe I can help, and then maybe there's a follow-on to further clarify. But the bottom line is the RFI for the 300-millimeter MRAM line is independent of the three other items you mentioned, namely the 14.6 contract that we got in 2024, the microchip foundry services agreement, and the new contract that we just talked about today. So as far as the $14.6 million contract that we got in 2024, that is the one where we basically got some support from the U.S. government to improve the supply chain for MRAM or toggle MRAM for the U.S. government. And that revenue, as you know, is actually being recognized below the line. So that was not above the line. There's a lot of capex and supply chain robustness involved in that discussion. The microchip boundary services agreement was simply between Everspin and microchip where we basically went out to increase our capacity. So that was independent of these two contracts in that sense. So we went out to increase our capacity given the high demand that we've been seeing over the last couple of quarters. Now this new agreement that we just signed is basically we are going to provide a technology information, a recipe compendium, if you will, for mil and arrow space toggle MRAM to this contractor, to this US Prime contractor. And in addition, they would have a right to second source the Everspin toggle MRAM for mil arrow applications again in case Everspin decides to exit the business. Obviously, we have no intention of doing that. but we do give them the rights and all the technology and all the recipes, et cetera, associated with it in case we do exit, right? And then also under this agreement, they actually get access to this microchip fab that we're bringing up to qualify their existing products on that line. So there's NRE associated with getting that activity done. And then finally, there is a new product that the U.S. government is actually planning to tape out. So the R&D for that product and the production support for that product would also be part of this contract that we just talked about. Hopefully that helps.

Richard Shannon | Analyst, Craig-Hallam Capital Group:

That does help a lot. I appreciate that. If you don't mind, I'm going to throw one more question before jumping back into the queue, and that's really about the guidance here. So, I mean, it sounds like we should expect most of the sequential growth in dollar terms here to come from products here. How do we think about it between the kind of the FCT that's mostly going to IBM versus other products here within that? And then any idea or can you just give us a sense of what kind of litigation spend you're expecting in the second quarter?

Bill Cooper | Chief Financial Officer:

Thanks. Yes. So on the first point, what I would say is, you know, definitely seeing very strong product sales. We're up year on year 28%. I think, you know, most of that growth from Q1 to Q2 is going to be in that product sales category. Again, we are seeing, you know, I would say just good solid product sales across all the various categories. And then on your second question, we do show the $1.6 million that we had to expend in Q1 on litigation costs. And what I would say is, You know, unfortunately, litigation is expensive, and I think we're kind of expecting it to continue in that range for at least, you know, the next couple of quarters. But, again, we'll see how that ultimately pans out.

Richard Shannon | Analyst, Craig-Hallam Capital Group:

Okay. Appreciate that detail. I will jump out of line, guys. Thank you.

Bill Cooper | Chief Financial Officer:

Okay.

Operator | Conference Operator:

Thank you. Ladies and gentlemen, I'm showing no further questions in the queue. We did have a follow-up question to come through. One moment.

Bill Cooper | Chief Financial Officer:

Okay.

Operator | Conference Operator:

We have a follow-up question from the line of Richard Shannon with Craig Hallam. The line is open.

Richard Shannon | Analyst, Craig-Hallam Capital Group:

Well, I guess I didn't have to jump out of line, but let's hear maybe a couple more from you guys here. I noticed you've had a couple quarters of some above-trend CapEx numbers in the fourth quarter, now the first year. And, well, I could certainly expect some of that coming from maybe your microchip agreement or not. I'm not sure. But how do we look at that going forward here?

Bill Cooper | Chief Financial Officer:

Yes, we did. We had a – I call it a unique period of capital spend. And that, again, was related to some of the improvements that we saw in the Chandler facility primarily across a couple of different contracts. So that – flurry of activity, I think, will start to settle down until we get into the real part of this Foundry Services Agreement.

Richard Shannon | Analyst, Craig-Hallam Capital Group:

This Foundry Services Agreement, is that referring to microchips specifically?

Bill Cooper | Chief Financial Officer:

That's right. That's right.

Richard Shannon | Analyst, Craig-Hallam Capital Group:

That's right. When do we start to see that pick up? Any idea how to think about that sum total over – I don't even know what period of time they expect to do that. I assume it's at least a couple of years. But what do we think about there? Okay.

Bill Cooper | Chief Financial Officer:

Yeah, so there will be some significant capital spend over the next two years. Again, it's going to be spread out over time a little bit, probably some later this year as well as early next year. And then in terms of the overall CapEx, not so significant that we can't manage it. I think, again, it's going to be in the range, you know, of kind of what our historical spend has been annually.

Richard Shannon | Analyst, Craig-Hallam Capital Group:

Yeah. Okay. Fair enough. My last question, I will jump out of line. If I took the notes here and it seemed to recall them being consistent with what I've heard in the past in regard to the new product line here, you talked about this being a a $3 million TAM, and Sanjeev, I caught your comments right here, expecting kind of a 5% to 10% share early on here. You know, 5% share, that number is $150 million in a year. Last quarter you talked about getting to a goal of $100 million within three to five years. So I look at that 5% to 10% share early on, quote, unquote, early on, seems to be a little bit longer timeframe than what would fit in here. So are we either thinking it's going to take a while to get that kind of share, or is there some meaningful upside in terms of timing to hit that $100 million total corporate level goal?

Sanjeev Agarwal | President and Chief Executive Officer:

Yeah, that's a good question for clarification, Richard. So I think we've talked about this in the past. I don't think that Unisys is going to strongly contribute to the $100 million target that we have in the next three to five years. And the reason being that it takes about 18 to 24 months for the qualification of these products at our customers. So let's say we have the product available samples in Q4 of 26, production, let's say, Q1 or Q2 of 27, and you basically have another 18 months before it's going to ramp to production. So I don't think it's going to contribute significantly, but it will contribute some.

Richard Shannon | Analyst, Craig-Hallam Capital Group:

Okay. So early on would be after that qualification period that you said takes up to two years then. Okay.

Sanjeev Agarwal | President and Chief Executive Officer:

That is correct.

Richard Shannon | Analyst, Craig-Hallam Capital Group:

That makes sense. Okay. Perfect. That's all from me, guys. Thank you. Thank you.

Operator | Conference Operator:

Thank you. I will now turn the call back over to Sanjeev for closing remarks.

Sanjeev Agarwal | President and Chief Executive Officer:

I just want to say thank you, everyone, for joining the call today, and we look forward to talking to you at the end of Q2. Thanks a lot for your time. Bye now.

Operator | Conference Operator:

Ladies and gentlemen, that concludes today's conference call. Thank you for your participation.