NASDAQ:NVEC Q4 2025 Earnings Call Transcript

Generated on 11/25/2026

Dan Baker | President and CEO:

Good afternoon and welcome to the NVE Corporation conference call for the quarter and fiscal year ended March 31st, 2025. I'm Dan Baker, NVE's President and CEO. I'm joined as usual by Controller and Principal Financial Officer Daniel Nelson. This call is being webcast live via YouTube and Amazon Chime and being recorded. A replay will be available through our website, NVE.com, and our YouTube channel, YouTube.com slash NVE Corporation. All participants are currently in a listen-only mode. After our presentation, there will be a question and answer session. After my opening comments, Daniel Nelson will present our financial results. I'll cover tariffs, manufacturing, R&D, and sales and marketing, and then we'll open the call to questions. We issued our press release with financial results and filed our annual report on Form 10-K in the past hour following the close of market. Links to the press release and the 10-K are available through our website, the SEC's website, and X, formerly known as Twitter. Please refer to the Safe Harbor Statement on your screen. Comments we may make that relate to future plans, events, financial results, or performance are forward-looking statements that are subject to certain risks and uncertainties, including, among others, such factors as uncertainties related to the economic environments and the industries we serve, risks and uncertainties related to future sales and revenue, and risks and uncertainties related to tariffs, customs, duties, and other trade barriers, as well as the risk factors listed from time to time in our filings with the SEC including our just filed annual report on Form 10-K. Actual results could differ materially from the information provided and we undertake no obligation to update forward-looking statements we may make. We're pleased to report a 3% year-over-year increase in revenue and 44% sequential revenue growth for the quarter and a 2% increase in earnings as industry conditions improve. Daniel Nelson will cover details of the financials. Daniel?

Daniel Nelson | Controller and Principal Financial Officer:

Thanks, Dan. The 3% year-over-year revenue increase for the fourth quarter was due to a $270,000 or 558% increase in contract R&D revenue, partially offset by a 1% decrease in product sales. Sequentially, total revenue increased 44% from the immediately prior quarter, driven by a 40% increase in product sales and a 210% increase in contract R&D. We are pleased to see revenue stabilize with improving industry conditions in the quarter. We are also seeing interest in our new products. Gross margin increased to 79% from 76% due to a more profitable product mix and a larger portion of direct rather than distributor sales. Total expenses increased 17% for the fourth quarter of fiscal 2025 compared to the fourth quarter of fiscal 2024 due to a 28% increase in R&D partially offset by a 2% decrease in SG&A. The increase in R&D expense was primarily due to an increase in new product development. Net income for the fourth quarter of fiscal 2025 increased 2% to $3.89 million, or $0.80 per diluted share, compared to $3.81 million, or $0.79 per diluted share, for the prior year quarter. The increase in net income for the fourth quarter of fiscal 2025 compared to the prior year quarter was primarily due to increased revenue and higher margins, partially offset by increased expenses. Our profitability metrics remain strong. Operating margin was 58%, pre-tax margin was 65%, and net margin was 54% for the quarter. For the fiscal year, revenue decreased 13% due to decreases in the first three quarters of the fiscal year, partially offset by the increase in the most recent quarter. Gross margin increased to 84% for fiscal 2025 from 77% for fiscal 2024 due to a more profitable product mix and a larger portion of direct rather than distributor sales. Total expenses increased 25% for the year due to a 33% increase in R&D and a 13% increase in SG&A, primarily due to increased new product development and increased sales and marketing. We believe these investments will pay off in the future with higher revenues. Non-operating income for the fiscal year includes interest and other income. Interest for the year decreased 2% due to decreased in marketable securities, partially offset by higher bond yields in the past year. We also reported

other income of $135,000 for the fiscal year, primarily from reclaiming precious metals used in our manufacturing process. Net income was down 12% to $15.1 million in a tough industry environment, but still a solid $3.12 per share. Adding in approximately $700,000 in unrealized gains on marketable securities, comprehensive income for the year was $15.8 million. Operating margin was 62%, pre-tax margin was 70%, and net margin was 58% for the year. Fixed asset purchases were $1.2 million last fiscal year, which is unusually large for us. We are planning even more this fiscal year, $2 to $3 million in capital investments for fiscal 2026. The biggest chunk of that investment is for a cluster of wafer fabrication equipment, which we expect to receive next quarter, the September quarter. Then Baker will provide color on capital investments in a few minutes. Turn into cash flows. Accounts receivable increased $444,000 during fiscal 2025 due to increased revenue in the fourth quarter and the timing of customer payments. Inventories increased $291,000 in the year. Working process inventories increased by a significant $968,000. Working process inventories generally have the flexibility to make different products depending on market demands. As we've said before, we believe inventories provide a buffer against supply disruptions and other disruptions such as tariffs. We paid our $1 per share quarterly dividend the past quarter and declared another dividend to be paid at the end of this month. We have now paid over $200 million, more than $42 per share, in dividends since we started paying dividends 10 years ago. Now I'll turn the call back to Dan Baker to cover the business. Back to you, Dan.

Dan Baker | President and CEO:

Thanks, Daniel. I'll cover tariffs, manufacturing, R&D, and sales and marketing. We've identified three major risks related to tariffs. The first risk is that tariffs trigger global recession or industry downturn, which probably isn't good for anybody. Other than those broad-based macroeconomic concerns, however, we're uniquely well-situated with respect to tariffs. The second risk is tariffs on imported raw materials. This represents a relatively small portion of our costs since we do Spintronics fabrication in-house. We have been paying 25% tariffs on raw material imports from China since 2018, and it has not been significant. Most of what we purchase from China has not been subject to the recent so-called reciprocal tariffs imposed by the United States, since there is an exception for semiconductors. Furthermore, as Daniel noted, we have ample raw material and work-in-process inventories. The third risk is that our exported parts would be subject to another country's retaliatory tariffs. Fortunately, other countries such as China exempt semiconductor products such as ours. Furthermore, China classifies country of origin based on foundry wafers, which we source primarily from outside the United States. Therefore, the great majority of our exports to China are exempt from retaliatory tariffs. Most countries other than China classify country of origin based on the packaging location, which is also outside the United States for us. So the great majority of exports to other countries would not be subject to retaliatory tariffs. We have discussed plans to offer some parts as wafer-level chip scale parts with final processing here. We believe those wafer-level chip-scale parts could be subject to some retaliatory tariffs, but most of the potential business we've identified is in the United States. Our unique tariff situation and ample inventories could provide competitive opportunities compared to other U.S.-based companies with more tariff exposure. Turning to manufacturing, we're continuing our plans to expand our capacity and capabilities. We completed our planned expansion in the past quarter, including construction work, and recently completed electrical and other infrastructure upgrades to support new equipment. We deployed one new machine in the past fiscal year, we just deployed another machine this quarter, and a several million dollar machine is scheduled to arrive next quarter, the September quarter. Turning to customers, we're proud to supply products to some of the world's most demanding customers, including Abbott Laboratories. Abbott is a leading supplier of implantable medical devices. In the past quarter, we executed an extension of our supplier partnering agreement with Abbott. The agreement was filed with a Form 8K and is available via our website or the SEC's website. Turning to marketing, we're exhibiting at two major trade shows this quarter. The SensorPlus test show is underway now in Nuremberg, Germany. It's billed as the leading international trade fair for sensor measuring and testing technology. We will also be at SensorConverge in Silicon Valley in late June. That show is billed as North America's largest electronics event. We have several new products and new demonstrations at this year's shows. We believe the investments in these shows will pay off in future

sales. We had an excellent quarter and fiscal year for product development. As Daniel mentioned, we've significantly increased our investment in R&D. We spent 14% of revenue in the past year on R&D. Additionally, we do customer-sponsored R&D, which is included in cost of sales. In the past quarter, we launched the world's most advanced magnetic switch sensors with more reliable data, more information, and rugged operation. There are several demonstrations of the new products on our website and our YouTube channel. In the fiscal year, we introduced a new high-sensitivity ultra-miniature sensor, a high-sensitivity rotation sensor, our first wafer-level chip scale sensors, a number of new evaluation and breakout boards. and the advanced position sensors I discussed earlier. We also invested in advanced R&D initiatives with the potential to drive future growth, including next-generation MRAM for anti-tamper applications, next-generation sensors for hearing aids and medical devices, extremely sensitive TMR sensors, and more wafer-level chip scale sensors. Now we'd like to open the call for questions. To ask a question, from a phone, press star 7 to unmute, or from a browser or the Chime app, click the Raise My Hand icon under the Meeting Chat. That's at the bottom of the left column, and unmute yourself to speak. Please state your name and affiliation before your question. And to prevent background noise, please mute your line after asking your question.

Jeff Bernstein | Analyst, Silverberg Bernstein Capital:

Hey, Dan, it's Jeff Bernstein from Silverberg Bernstein Capital.

Dan Baker | President and CEO:

Hi, Jeff.

Jeff Bernstein | Analyst, Silverberg Bernstein Capital:

Hi, Dan and Ann. So, yeah, a couple of questions here. You know, last quarter revenue was somewhat disappointing. We were talking about potentially being near the end of liquidation of inventory by customers in the distribution channel. Obviously, a strong snapback here in the quarter. And at the same time, you guys have been investing aggressively in R&D and in CapEx in a way that you haven't really in the past. So can you just parse for us how much of this quarter's improvement in revenue was the result of a snapback in the channel, some channel sale or people being a little bit more aggressive on ordering in line with their consumption? versus, you know, new business.

Dan Baker | President and CEO:

It was a combination of both. We saw inventories continuing to be bled down, which is a positive sign. So customers are replenishing and buying more for their end use. And also we've seen new business and significant interest in our new products. So we think that that all bodes well, and we were pleased that it was high quality revenues for the past quarter.

Jeff Bernstein | Analyst, Silverberg Bernstein Capital:

Okay. And then can you just talk a little bit about the new parts that you introduced this year in terms of their expansion of your TAM, you know, what end markets or capabilities are they enabling?

Dan Baker | President and CEO:

Our new products are focused on markets where we have traditional strength. Those are medical devices and industrial control and the industrial internet of things. So the products that we introduced most recently were advanced magnetic sensors that are so-called omnidirectional, meaning that they can sense magnetic fields in any direction. So that provides tremendous flexibility for industrial controls for advanced robotics. And they provide much higher quality data from the mechatronics. So we've seen significant interest in those products. And then the other products tend to focus on markets where we're strong and we increase our advantages in terms of size and sensitivity so our our strategy is to lead the industry in terms of the performance the accuracy the size and the power consumption and efficiency of sensors gotcha and and then i'm just curious on the um isolator

Jeff Bernstein | Analyst, Silverberg Bernstein Capital:

You know, there's some new solid state technology to be used in very high voltage systems that replace mechanical switches and things. And I'm just curious as to, you know, how high voltage environments can your isolators work in?

Dan Baker | President and CEO:

Well, that's a great point. So what Jeff is referring to are what are so-called wide band gap FETs or transistors. which can switch higher voltages with less losses. So we provide interfaces, our isolators provide interfaces between the controller systems and those switches, because you can't directly hook them up to microcontrollers. And our devices have the highest isolation voltage in the industry up to seven kilovolts, which is truly remarkable. And that allows us to interface to some of those higher voltage switches where other isolators would fail. The other figure of merit that we have best in the industry is what's called the common mode transit immunity, which is the rate of change of the voltage. So that's rated typically in kilovolts per microsecond. And our devices have by far the highest CMTI or common mode transient immunity in the industry. So again, that helps to allow much faster switching at higher voltages, which allows customers to harness the advantages of those new wide band gap transistors.

Jeff Bernstein | Analyst, Silverberg Bernstein Capital:

That's great. And then last, Dan, just so I think in the 10K, you're usually very pithy 10K. It does say that you're planning CapEx in 2026 of $2 to $3 million. That would be significantly above the $1.3 million spend in 2025, which also I think was a record.

Unknown:

Hey, hey, hey. Hey, hey, hey. Okay. Okay. Okay.

Dan Baker | President and CEO:

Well, I think Jeff might have had some audio difficulties there, but he was asking about CapEx. So as Jeff pointed out in the premise of his question, we're planning significant capital expenditures this fiscal year, which is the fiscal year ending March 31st, 2026. um after um already making significant investments in the past fiscal year so those will allow us to increase our capability increase our capacity and give us the possibility of making more wafer level chip scale parts in-house the um so uh those plans are proceeding and as daniel and i both mentioned in our prepared remarks One of the major investments is a cluster of

equipment that we expect in the September quarter, next quarter, the quarter following this quarter. And we're already prepared with the construction and the infrastructure for that equipment, and we'll be working to install it and get it running as quickly as possible.

Jeff Bernstein | Analyst, Silverberg Bernstein Capital:

So, Dan, before I lost you, I was asking, you know, what kind of gives you the confidence, you know, that you're going to earn a return on this CapEx investment?

Dan Baker | President and CEO:

So, yeah, as you know, Jeff, we look pretty carefully at getting a return when we spend our shareholders' money as we as we are planning to do with this equipment. And the confidence that we have is that we've made prototype and sample devices and the customer feedback has been excellent on those devices. And we feel based on the customer input that while there are no guarantees, we're very optimistic that this is going to open significant new markets for us.

Jeff Bernstein | Analyst, Silverberg Bernstein Capital:

That's great. Thanks for the questions.

Dan Baker | President and CEO:

Thanks, Jeff. Are there any other questions? If so, from a phone, press star seven to unmute or click raise my hand from the web. If there are no other questions to sum up, we were pleased to report increased revenue and earnings for the quarter year over year and strong quarter over quarter revenue growth. We had an exceptional year for product development and completed a significant expansion the past quarter and deployed new equipment in the past fiscal year. We look forward to speaking with you again in July for our first quarter fiscal 2026 earnings call. A replay of this call will be available on the investor events page of our website, nve.com, and our YouTube channel. That's youtube.com slash nvecorporation.