NASDAQ:NVEC Q3 2026 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 ended December 31st, 2025. I'm Dan Baker, NVE's President and CEO. I'm joined by Daniel Nelson, our Principal Financial Officer, and Pete Eames, Vice President of Advanced Technology. This call is being webcast live via YouTube and Amazon Chime and being recorded. A replay will be available through our website, mve.com, and our YouTube channel, youtube.com slash mvecorporation. All participants are currently in 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, Pete will cover new products and R&D, I'll cover sales and marketing, and then we'll open the call to questions. We issued our press release with financial results and filed our quarterly report on Form 10-Q in the past hour following the close of market. Links to the press release and 10-Q 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 annual report on Form 10-K for the year ended March 31, 2025, as updated in our just-filed 10-Q. 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 23% increase in revenue and an 11% increase in earnings for the third quarter of fiscal 2026, compared to the prior year quarter, driven by broad-based growth across our revenue lines, including defense and non-defense sales, as well as distributor and direct channels. Daniel Nelson will cover details of the financials. Daniel?

Daniel Nelson | Principal Financial Officer:

Thanks, Dan. As Dan said, revenue for the third quarter of fiscal 2026 increased 23% year-over-year. The increase was due to a 16% increase in product sales and a 335% increase in contract R&D revenue. The increases were across most of our product lines and channels. Gross margin for the third quarter of fiscal 2026 was 79% of revenue compared to 84% the prior year quarter. The decrease in gross margin percentage was due to a less profitable product mix and increased distributor sales for the quarter. The increase in distributor sales is positive, although distributor sales typically have lower gross margin than direct sales. Total operating expenses decreased 12% for the third quarter of fiscal 2026 compared to the third quarter of fiscal 2025 due to a 9% decrease in R&D expense and a 19% decrease in SG&A. The decrease in R&D was due to completion of some of our wafer-level chip-scale packaging activities and reassignment of some R&D resources to manufacturing. The decrease in SG&A was primarily due to the timing of selling and marketing activities and reassignment of some SG&A resources to manufacturing and new product development. Interest income decreased 3% due to decreasing our marketable securities portfolio as proceeds from bond maturity, partially funded dividends, and fixed asset purchases. Other income decreased by $135,000, which is primarily from reclaiming precious metals used in our manufacturing process in the prior year quarter. Our effective tax rate, which is the provision for income taxes as a percentage of income before taxes, increased to 20% for the third quarter of fiscal 2026, compared to 15% for the third quarter of fiscal 2025. The increase in our effective tax rate was primarily due to the non-cash impact of tax law changes on certain tax deductions this fiscal year. We currently expect a full-year tax rate of 16% to 17% in fiscal 2026 because we expect advanced manufacturing investment tax credits of between $700,000 and $1 million to offset the

impact of other tax law changes. Net income increased 11% to $3.38 million, or $0.70 per diluted share, from $3.05 million, or $0.63 per share. The increase was primarily due to increased revenue and decreased operating expenses, partially offset by decreased gross margin, a decrease in other income, and an increase in our effective tax rate. Our profitability metrics remain strong. Operating margin was 60%, pre-tax margin was 68%, and net margin was 54%. For the first nine months of fiscal 2026, total revenue increased 0.4% to $18.7 million from $18.6 million for the nine months of the prior year, as growth in the most recent quarter more than offset year-over-year decreases in the first two quarters of the fiscal year. The revenue increase for the first nine months was due to a 0.8% increase in product sales, partially offset by an 8% decrease in contract R&D. Net income for the nine months decreased 8% to $10.3 million or $2.12 per diluted share. Turning to cash flow items. Cash flow from operations was $12.2 million in the first nine months of the fiscal year. Accounts receivable decreased $1.1 million during the first nine months of fiscal 2026, primarily due to the timing of customer payments. Inventories decreased by $177,000 due to increased product sales. Prepaid expenses and other assets increased $323,000, primarily due to increased accrued bond interest and a decrease in federal and state taxes due The decrease in taxes due was because we deducted previously unamortized research and development expenses in the quarter ended December 31, 2025, as permitted under the Federal Budget Reconciliation Bill enacted July 4, 2025. We expect accelerated deductions of previously unamortized research and development expenses to reduce our cash taxes for the full fiscal year ending March 31, 2026 by approximately $1.1 million. Recruit payroll and other current liabilities decreased $366,000, primarily due to the payments of federal and state taxes balance due as of March 31, 2025, and decreased accrual for performance-based compensation. Fixed asset purchases were $2.18 million for the first nine months of the fiscal year, including $1.05 million in the December quarter. We substantially completed spending on our two-year multi-million dollar expansion. We expect to put the equipment into service in the current quarter. Pete Ames will discuss the new equipment. Now I'll turn the call over to Pete Ames, our Vice President of Advanced Technology, to talk about our plans for the new equipment and to cover new products and R&D.

Pete Eames | Vice President of Advanced Technology:

Pete? Thanks, Daniel. I'll cover new equipment and R&D. New equipment in the past year has increased our capacity, increased our capabilities, and allowed us to do smaller and more precise wafer-level chip-scale package parts in-house. We completed installation and calibration of a new equipment cluster in the past quarter in an expanded production area on the east end of our building. The new equipment allows extremely precise control of spintronic materials deposition to well within one atomic layer. This capability translates into more precise spintronic devices and expands our capacity with existing products. We've made good progress developing new advanced spintronic processes on the equipment, and as Daniel said, we expect to place new equipment into service by March 31st. Our R&D strategy is to make the world's best electronics for high value markets such as medical devices, electric and autonomous vehicles, advanced factory and humanoid robotics, and highly automated fourth wave factories using the artificial intelligence of things. We've had a continuous flow of new products as part of that strategy. Just yesterday, we announced a new wafer-level chip-scale sensor, a part that's just 0.65 millimeters square, about the size of the period at the end of our quarterly report, and about as thick as the paper that it's printed on. The sensor is about one-third the size of the conventionally packaged version, and this tiny size allows for unmatched miniaturization and spatial sensitivity. There are demonstrations of our new products on our website and our YouTube channel. Now, I'll turn it back over to Dan Baker.

Dan Baker | President and CEO:

Thanks, Pete. I'll cover customers, sales, and marketing. Starting with 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 to our supplier partnering agreement with Abbott. In recent years, the extensions have been for one year, but this extension

is for two years through December 31, 2027. It provides for price increases for 2026 and 2027. The agreement was filed with a Form 8K, and there are links in our just-filed 10-Q, on our website, and the SEC's website. Turning to sales and marketing, we exhibited at the Medical Design and Manufacturing Trade Show the past quarter. Medical devices are an important market for us. We have a convincing benefit proposition for medical devices with small size, low power, and superb reliability. At the show, we highlighted new wafer-level chip scale parts for miniaturization of implantable medical devices and surgical robots. high field sensors to enable MRI-tolerant medical devices, high sensitivity sensors for medical device navigation, and our best-in-class electrical isolators to ensure the safety of medical instruments. The show generated good leads, and we believe our investments in shows will pay off in future sales. With the success of that show, we'll also exhibit at Medical Device and Manufacturing West for the first time. The exhibition starts February 3rd in Anaheim, California, and hosts attendees from all over the world. 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, this is Jeff Bernstein from Silverberg Bernstein Capital.

Dan Baker | President and CEO:

Hi, Jeff.

Jeff Bernstein | Analyst, Silverberg Bernstein Capital:

So we talked during the quarter about this idea of magnetic navigation and GPS compromising. areas and whether your magnetometer sensors were, you know, appropriate for that kind of application. Can you just talk a little bit about that and if you made any contact with anybody in the DOW about this?

Pete Eames | Vice President of Advanced Technology:

Hi, Jeff. This is Pete Eames. I'm happy to answer that question. We have looked at MAGNAV, and for those who aren't familiar with it, this is a new technology that replaces GPS and defense applications that are susceptible to GPS jamming. So typically, MVE sensors are lower power and much smaller than the sensors that are used to detect the magnetic field anomalies and magnet systems. But it is an interesting application for us. It's evolving and it's one of the things that we keep an eye on in the defense community to see how it evolves and hopefully we have an opportunity there in the future.

Jeff Bernstein | Analyst, Silverberg Bernstein Capital:

So, do you have a part that you would deem appropriate for that application today or now?

Pete Eames | Vice President of Advanced Technology:

Not exactly. Magnev is pretty new. It's still a relatively nascent technology, and one of the problems with Magnev is that the maps that are being generated and used by sensors for this technology are still are still too imprecise. So it's not a mature enough technology that we would chase it, for example, but it's something

that is interesting and fits within our defense systems and something that we think has a bright future.

Atai | Analyst, Principal Global:

Gotcha. Thank you.

Pete Previtt | Private Investor:

Hey, Dan, this is Pete Previtt in Florida. How are you guys? A couple quick questions. Your new equipment up and running in March, I recall being at the shareholders meeting in 24, so it'll be almost two years. Is that pretty much on the expected schedule that you thought?

Dan Baker | President and CEO:

It is. Thanks for the question, Pete. As you saw, we just had a blank space when you were here. And at the annual meeting in 2025, we had a much more finished blank space. And now we've got a piece of equipment that's up and running. And as Daniel and Pete both mentioned, We plan to deploy it in an accounting sense this quarter. So things are going well and it's a complicated piece of set of equipment and a complicated process, but our guys have done a great job of getting it done on schedule. So we're pleased with how it's going.

Pete Previtt | Private Investor:

That's great. Great to hear. With that, is there an expectation that that new equipment will help with new product sales, like adding to new revenue and or, I guess, better profitability because it's packaging, right? Some of it's for packaging so you don't have to outsource the packaging.

Pete Eames | Vice President of Advanced Technology:

Mm-hmm. Yeah, this is Pete Eames again. Yes, Pete, I think there is a lot of optimism surrounding the technology that we're developing with the new equipment. I talked about one of the sensors in our earlier remarks. We're definitely selling samples of those parts. And again, we're looking forward to continued sales there. So I think the optimism continues.

Pete Previtt | Private Investor:

Thanks, Pete. And do you guys see distributors building up inventory again? I know that that was an issue that they had lots of inventory and had to sell that down. Is that starting to pick up again?

Dan Baker | President and CEO:

Yes, it is. It's very positive. And Daniel mentioned that in the prepared remarks that our distributor sales are picking up and have been through the fiscal year. And that's an indication that some of those inventories that had built up during the semiconductor slowdown the last fiscal year and prior to that, have been depleted, burned off, and end user demand is increasing. So, we feel like we have the wind at our backs, and we've got excellent products, and the inventory situation in the semiconductor industry as a whole is much better than it was.

Pete Previtt | Private Investor:

That's fantastic. And let me ask you about the other company or one of the other companies in your space, Everspin. There seems to be a lot of interest in them lately. And some talk about their intellectual property being valuable for quantum computing possibly. How does NVE's intellectual property compare to what they have? And have you had any discussions with other companies about licensing your IP?

Dan Baker | President and CEO:

We have had discussions about licensing from time to time over the years, including we had a license agreement with predecessors of the Everspin technology, including Motorola going way back. So, we believe we have excellent intellectual property. We deploy it mostly for anti-tamper and puffs. So, we are in a different market than Everspin, but we do have technology that applies to MRAM. We continue to develop MRAM. We've talked about it from time to time. Pete didn't talk about it on this call and the prepared remarks, but we continue to work on developing advanced MRAM, mostly for defense applications, defense and anti-tamper applications. We believe that the intellectual property has significant value and we'll look for opportunities to monetize that through licensing or other means.

Pete Previtt | Private Investor:

I don't know too much about it, but with flash memory, is MRAM a replacement of flash? I've talked to someone who mentioned something about that memory and MRAM being a lot better with spintronics. Is there anything you could talk about there?

Pete Eames | Vice President of Advanced Technology:

Yeah. In general, MRAM is a non-volatile memory, meaning it retains its information when the power is removed. For some applications, that's a very powerful technology, and it's something that's already used in some embedded computing systems today. So it is very useful, and that's one of the things that, as Dan said, makes us believe that our IP is very valuable here.

Pete Previtt | Private Investor:

Okay, great. And last question. Dan, we love your posts on Twitter. Do you employ or have a marketing company? Is there any plans to expand marketing? You know, not that we don't love your videos and stuff, but just curious about how you guys look at marketing to promote the company.

Dan Baker | President and CEO:

Well, we've been spending more on marketing, doing more marketing. So we try to do more of what works. And what's been working, as I mentioned in the prepared remarks, our trade shows work very well for us. So we're going to more trade shows than we ever have. And we are working more and more on demonstrations. So the videos are one manifestation of demonstrations, but we also provide demonstrations at trade shows and for a specific customer. targeted applications. The newsletters are also very effective. We have a very high click rate, a very high response rate. So we measure our marketing activities and we continue to boost the ones that work. So, those are the kinds of things that we've been doing and we do get some response from Twitter. However, it's not a huge sales driver. Some of that is more fun and content that we have from other sources or for other targets such as trade shows.

Pete Previtt | Private Investor:

Great. Thank you. Appreciate the time. Keep up the good work. Appreciate it. Thanks, Pete.

Jeff Bernstein | Analyst, Silverberg Bernstein Capital:

Hey, Dan. It's Jeff Bernstein again. Just wanted to check in on the application for getting rid of railroad magnets for position sensing and what kind of traction you've gotten there. Have we seen any revenue actually come through from any design wins or what's the design win situation looking like?

Dan Baker | President and CEO:

Yeah, that's a good point. There's still a lot of concern in the supply chains about rare earth elements. And our sensors are uniquely positioned to use rare earth free ferrite magnets because of their high sensitivity. And we continue to offer ferrite magnets They do not use rare earth elements. They use iron and oxygen, which are two of the most abundant elements in the Earth's crust. We're well positioned in that and we have gotten some sales and we've gotten some interest in both the magnets and in the sensors that go with them. We do see it as a promising application and the concern about rare earth magnets has done nothing but increase. So, it's hard to quantify exactly how many are targeted at rare earth replacement and how many we're getting or we wouldn't have gotten if it weren't for the concerns about rare earth, but it certainly helps us.

Atai | Analyst, Principal Global:

Got it. Thank you.

Dan Baker | President and CEO:

If there are other questions from a phone, press star seven to unmute, or from a browser or the QIIME app, click raise my hand icon under meeting chat.

Christopher | Private Investor:

Hello, can you hear me?

Dan Baker | President and CEO:

Yes.

Christopher | Private Investor:

Hello, this is from a private investor. I was just wondering if there's any comments you can make on the current quarter, especially I'm wondering about, your defense business which happens to be a little bit more volatile.

Pete Eames | Vice President of Advanced Technology:

Yeah, I can try to add a little bit there, Christopher. I think we've talked fairly about some of the past quarters and explained that things have been relatively weak there. And in general, I think we're optimistic going forward. I think it's safe to say that we'll be returning to somewhat of a more normal flow there, if that's of any help.

Christopher | Private Investor:

Yes, that's very helpful. And the rise in NRE revenues, does that pretend for additional future non-defense business?

Dan Baker | President and CEO:

That's certainly the goal. We invest heavily in R&D. Pete talked about some of the programs. We talked about some of the things that we're doing in the medical space for new products and for advancements, especially in miniaturization. That's been a significant portion of our R&D. We've been pleased with the response of customers and prospects to those products. And we believe they're going to pay off in future sales, and that's why we make the R&D investments.

Christopher | Private Investor:

Okay. And your two-year agreement with Abbott, are there any market gains in that? Are you in any new devices?

Dan Baker | President and CEO:

Unfortunately, we can't talk about what devices they use our parts in, they use our sensors in. We're bound by confidentiality. However, they make some remarkable devices, medical devices, and we're pleased to be a partner with them. We've been a partner with them for many years. And we're proud of the role that we play in making devices that can change people's lives. We also have other medical customers that sometimes we can't talk about. And we're promoting and meeting more of them, promoting our products and meeting more of those prospects and customers at trade shows such as MDM here in Minneapolis recently and in early February, MDM West.

Christopher | Private Investor:

All right. Thank you and good luck.

Operator:

Thank you.

Pete Previtt | Private Investor:

Dan, this is Pete again. Just one last question. The company obviously has been very, very solid over many years of delivering, you know, good performance. Can you talk a little bit about what the potential of customers being recurring, right? So rather than kind of sawtooth revenues quarter after quarter, year after

year, where you're going to eventually have recurring orders from the same customers and then, you know, revenues might hit 6, 8, 10, 12 million per quarter because you've got repeat orders from the same customers. Can you just give some clarity as to, you know, what the product mix looks like and if there's potential of that type of, expectation from these customers that would order consistently. So all new customers are just adding on to revenues quarter after quarter.

Dan Baker | President and CEO:

Yeah, that's a good point and a good question, Pete. So, we look to increase our sales to our current customers with existing products and then we look to add new products to existing customers because we feel like our existing customers are our best prospects. They know us, they've seen the quality of the product we produce and the quality of the support that we provide. So, we work on both. Our goal is to grow faster than our customers, so we have to add customers. We have to continue to add products and expand the products that we sell to existing customers. So, I just mentioned Abbott, which is a great example of a customer that we've had for 20 years at least and they continue to buy our products and they've expanded over the years the number of products that they use. So, that we see is driving growth and then we've added additional new customers and then we add products for existing customers, new products for existing customers.

Jeff Bernstein | Analyst, Silverberg Bernstein Capital:

great thank you hey then uh can you hear me yes hey dan yes uh jeff bernstein just just a follow-up question um you know it is As far as you guys have talked about in the past at Abbott, you have exposure in the cardiac rhythm management area, you have exposure in the, I guess, neuromodulator area. In terms of the other medical customers that you're talking to, are these, you know, very similar kinds of applications or are there other applications? I think you discussed medical robots, and I'm kind of curious about, you know, why a big piece of equipment like that would need tiny parts like yours unless it's a sensitivity issue. But can you just flesh through that a little bit?

Dan Baker | President and CEO:

Yeah, so we cover a variety of medical products. We cover life support medical devices, which are the types of pacemakers and ICDs that Abbott makes. We cover non-life support medical devices, and we cover medical instruments. We sell products for medical instruments, which would be monitors, pumps, and things of that nature. They require different types of products. They have different design cycles, but they share a common goal of miniaturization, of low power, high sensitivity, high accuracy. As far as the medical robots, which we talked about before, Pete touched on that with our wafer level chip scale parts, that the smaller parts Well, you're right, they might not need them because it's a relatively, you know, the robots are relatively large, but they offer more spatial sensitivity, which means that the robot can detect smaller displacement more precisely. And for medical robots, being able to do delicate operations is a key benefit, and our sensors enable that.

Jeff Bernstein | Analyst, Silverberg Bernstein Capital:

That's great. Thank you.

Atai | Analyst, Principal Global:

Again, from Principal Global. I just wanted to come back to the MRAM point. I'm curious if you can talk a little bit more if that's really just kind of an IP opportunity or if the added capacity can actually help you sell into some of MRAMs and customers as well, and then add one more.

Dan Baker | President and CEO:

Okay, thanks for the question, Atai. Our strategy has been not to make large-scale memories. That often requires multi-billion dollar fabs, so what we've been doing is specializing in high-value added memories. that are used in specialized applications such as crypto keys for anti-tamper devices. But we believe that the intellectual property is applicable to larger MRAMs that would have broader applications. So that's how we would participate in that market by licensing intellectual property that we've developed over the years.

Atai | Analyst, Principal Global:

Got it. That's super helpful. Thank you. And then my second question is on the new capacity, I'm curious if you could give us a high level view on the current makeshift in terms of end market and how the new capacity might change the end market mix.

Dan Baker | President and CEO:

Right, so the new capacity is targeted at applications such as the Internet of Things and the artificial intelligence of things, which are emerging markets for industrial automation, merging the Internet of Things with artificial intelligence. So, we see those as tremendous opportunities. They require inputs, which is what we do. We make sensors. And the future appears to have ubiquitous sensors, many very small sensors distributed in many robots and other locations in order to provide the information for smart factories that are self-optimizing. So we see a historic opportunity there, and that's part of the reason why we were confident in making such a large investment.

Atai | Analyst, Principal Global:

Got it. Thanks so much, Dan, and congrats on the results.

Dan Baker | President and CEO:

Thanks, Atai. Well, if there are no other questions, we're pleased to report strong increases in revenue and earnings driven by broad-based growth. We look forward to speaking with you again in early May for our fiscal year-end call. A replay of this call will be available on the investor events page of our website, that's nve.com, and our YouTube channel, that's youtube.com slash nvecorporation. Thank you for participating in this call.