NASDAQ:OPTX Q1 2026 Earnings Call Transcript

Generated on 11/25/2026

Operator | Operator:

Good day and welcome to the Syntech Optics Holdings Inc. First Quarter 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. Please note that today's call is being recorded and will be available for replay on the company's website at www.syntechoptics.com. Before we begin, please note that today's discussion includes forward-looking statements within the meaning of the federal securities laws. These statements are based on current expectations and involve risks and uncertainties that may cause actual results to differ materially. For discussion of these risks, please refer to our filings with the Securities and Exchange Commission, including our Form 10-K and Form 10-Q filings. Syntec Optics undertakes no obligation to update any forward-looking statements except as required by law. Joining us today are Dean Rudy, Chief Financial Officer, and Paul Opella, Controller of Syntec Optics. I will now turn the call over to Dean Rudy.

Dean Rudy | Chief Financial Officer:

Thank you, Operator, and good afternoon, everyone. We appreciate everyone joining us today to discuss Syntech Optics first quarter 2026 results and recent strategic developments. While our first quarter financial results reflected temporary shipment timing delays associated with biomedical and market purchase order versions, We believe the quarter also demonstrated continued operational progress and positioned the company for stronger performance moving forward. Importantly, subsequent to quarter end, we completed a transformational public offering, which significantly strengthened our balance sheet. We believe the company's achievement of the capital raise milestone enabled the optimization of the capital structure and provided additional flexibility to acquire or invest in complementary businesses, technologies, products, or assets, as well as for working capital and capital expenditures. Operationally, we continued executing across several important strategic growth markets, including defense tech display windows for artificial intelligence AR slash VR glasses for our soldiers. First set of production built orders were delivered on time, and the company is now adding more ballistic windows. AI data center optics. We continued production of the initial builds with our micro optic splitter slash combiner, light pipe, and cover to support the growing needs for connectors in hyperscale expansion of data centers. Space and LEO satellite optics. In March, 2026, we achieved a major milestone celebrated across the company to deliver quadruple as compared to March, 2025. The number of satellite optics product we launched two years ago. Microcameras for U.S. Soldiers AI, AR, AV systems. We successfully produced a design and manufacturing plan to support a decade-long product modernization effort by the U.S. Department of War. First sets of product will roll out in Q2 and Q4 of this year, requiring all of our capability and depending on our one-of-its-kind capabilities in the U.S. Biomechanical optics. We successfully retooled production and realigned our supply chain for continued improvement efforts. We also continued implementing operational efficiencies and cost reduction initiatives intended to improve throughput, scalability, gross margin, and EBITDA performance over the long term. Although first quarter revenue was impacted by temporary timing delays and prolonged holiday shutdown of unusual Christmas and New Year falling middle of two different weeks, shipments normalized beginning in April, and we currently expect sequential improvement in Q2. and additional strengthening into Q3 as recently launched programs continue ramping production to higher than $7.5 million in net sales previously announced. Before discussing the strategic positioning of the company and the significance of the recent public offering, I'll turn the call over to Paul Lopella to review the quarter's financial results in greater detail.

Paul Opella | Controller:

Thank you, Dean, and good afternoon, everyone. Revenue for the first quarter of 2026 was approximately $6.5 million compared to approximately $7.1 million in the same quarter of the prior year. As Dean previously mentioned, the decrease was primarily attributable to temporary shipment delays associated with biomedical purchase order revisions requested by Syntec so as to be in line with our continuous improvement efforts. Importantly, subsequent to quarter end, the company has received updated purchase orders and shipments have returned to normal levels beginning in April 2026. Gross profit for the quarter was approximately $1 million compared to approximately $2.3 million during the prior year same period. Gross margin performance was primarily impacted by lower production volumes during the quarter, which reduced the absorption of fixed manufacturing overhead costs. However, direct labor and material costs remain generally stable as a percentage of revenue, reflecting continued operational discipline across our core manufacturing operations. General and administrative expenses were approximately $1.7 million for the quarter, an improvement when compared to approximately $1.8 million in the same period prior to your quarter. The company continued implementing cost containment and operational efficiency initiatives intended to support long-term profitability improvements. Net loss for the quarter was approximately $900,000, or a loss of two cents per diluted share, compared to net income of approximately $300,000, or one cent per diluted share during the first quarter of 2025. Despite the temporary shipment delays during the quarter, the company generated approximately a half million dollars of positive cash flow from operating activities during Q1 2026. Cash at quarter end was approximately $600,000, and total liquidity, including availability under the company's revolving line of credit, was approximately $1.3 million as of March 31, 2026. As previously stated, subsequent to quarter end, the company completed a public stock offering that generated approximately $23 million of gross proceeds, including the execution of the underwriters' green shoe option the very next day, significantly strengthening the company's liquidity profile and balance sheet. Following the offering, the company paid down its revolving line of credit balance to zero. We maintained access to the full $7.5 million revolving credit facility to be used as needed, and we extended the maturity of the facility to June 2027. As a result of the above optimization, going forward, there are no leverage or fixed charge coverage covenant requirements. Management believes these actions substantially improve the company's financial flexibility while reducing ongoing interest expense. I will now turn the call back over to Dean Rudy.

Dean Rudy | Chief Financial Officer:

Thank you, Paul. From an operational standpoint, we continued making meaningful progress during the quarter despite the temporary shipment timing disruptions. We achieved continued yield and throughput improvements across several strategic production programs, including LEO satellite optics, night vision optics, integrated optical assemblies, and AI defense and data center optics. We also continued selective investments in staffing, manufacturing infrastructure, and production scalability intended to support anticipated growth beginning in the second quarter and accelerating through the remainder of 2026. Several customer programs also continued progressing from initial launch volumes into larger production manufacturing volumes, strengthening our future revenue pipelines. Importantly, we believe Syntec is well positioned at the intersection of several powerful long-term technology and defense trends. AI defense infrastructure expansion, data center optic demand growth, space and satellite optic systems growth, Defense supply chain onshoring due to optical system specific call out and NDAA passed by the House and Senate and signed into law by the President. And finally, precision optical manufacturing trends within the United States. We continue to see increasing opportunities associated with domestic sourcing initiatives and mission critical optical manufacturing requirements across defense and advanced space and data center applications. Public offering and liquidity transformation. I'd now like to spend a few minutes discussing the successful completion of our public offering and why we believe this was a very important milestone for Syntech. The offering generated approximately 21.5 million of net proceeds and materially strengthened the company's balance sheet and liquidity position. We believe the transaction creates several important long-term benefits for the company. First, reduced financial risk. We reduced our revolving line of credit balance to zero, significantly lowering ongoing interest expense and improving overall financial flexibility. At

the same time, we maintained access to the full 7.5 million revolving credit facility, giving the company additional availability, available liquidity to support working capital and future growth opportunities. Second, improved strategic flexibility. The strengthened liquidity profile allows Syntec to support larger production ramps fund strategic capital expenditures, expand operational scalability, pursue more organic growth initiatives, and evaluate potential inorganic growth opportunities where appropriate. Third, enhanced customer positioning. In many of our end markets, we serve defense tech, space tech customers that value financially stable domestic manufacturing partners capable of scaling alongside their long-term programs with added technology and facilities through add-on acquisitions for future newer product lines. We believe the strengthened balance sheet enhances our positioning with both existing and prospective customer bases. Fourth, long-term growth infrastructure. The capital raise allows us to continue investing in advanced manufacturing capabilities, operational efficiency improvements, capacity expansion, process automation, talent acquisition, and strategic optical technologies. We believe these investments can support long-term revenue growth and future EBITDA expansion. Overall, while Q1 reflected temporary shipment timing variability, we believe the underlying operational trends, improving production activity, expanding strategic programs, and significantly strengthened balance sheet position the company well for the remainder of 2026 and beyond. Outlook. Looking ahead, management currently expects Q2 2026 net sales to improve sequentially from Q1 levels and to be 7.5 to 8.5 million. Q3 2026 net sales to strengthen further as recently launched programs continued ramping production. Growth drivers for 2026 are expected to include continued expansion of AI and data center optics, increased defense-related optics production and expansion with a major new defense customer, growth in space and LEO satellite optics, conversion of additional design stage programs into production revenue, ongoing operational efficiency and cost reduction initiatives. We remain focused on improving operational execution, expanding gross profit, increasing EBITDA performance, strengthening long-term shareholder value, identifying targets to acquire or invest in contemporary businesses, technologies, products, or assets, as well as for working capital and capital expenditures. We intend to have a more detailed press release on how Syntech is also working on the next frontier. Product strategy of implementing scalability of production for technologies of today and simultaneously investing efforts in deep tech of tomorrow continues to be advantageous. Today's scalable tech of Leo satellite laser optics AI AR slash VR display windows and micro cameras and AI data center optic connectors started with a breakthrough five years ago. With that, I'll turn the call back over to the operator.

Operator | Operator:

Thank you, Dean and Paul, for your comments today. Should you have any questions regarding our earnings results or strategic initiatives, please contact Investor Relations at InvestorRelations at SyntechOptics.com. Thank you for joining us today and have a great evening.