NASDAQ:OPTX Q2 2026 Earnings Call Transcript

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Operator | Conference Call Operator:

Good day, and welcome to the Syntec Optics Holdings, Inc. Second 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. 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 the company's filings with the Securities and Exchange Commission, including its Form 10-K and Form 10-Q filings. Centec 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 Opala, Controller of Syntec Optics.

Dean Rudy | Chief Financial Officer:

I will now turn the call over to Dean Rudy. Thank you, Operator, and good afternoon, everybody. We appreciate everyone joining us today to discuss Syntec Optics' second quarter 2026 results. I want to begin by stepping back from the individual numbers because we believe Q2 tells a larger story about where Syntec is today and where the company will be heading. There are four developments we believe are particularly important. First, we believe the business has reached an important operating inflection point. Q2 revenue reached an all-time quarterly high of approximately $8.3 million, increasing 26% year over year. Gross profit increased 34%, Gross margin expanded to 26% and we returned to positive operating income and a net income. Looking ahead, our current revenue outlook calls for further sequential growth in both Q3 and Q4. Second, this growth is not dependent on a single customer or market. We are seeing expanding opportunities across defense, space, AI infrastructure, biomedical, and other light-enabled technologies. Just as importantly, existing customers are increasingly expanding the number of products and technologies they ask Syntec to support. Third, the capital we raised earlier this year has materially strengthened the company. We completed approximately $21.4 million of net equity financing, eliminated approximately $6.8 million of revolving indebtedness, ended the quarter with approximately $14 million in cash, and significantly reduced our liabilities. We believe the result is a functionally stronger financial platform from which to grow. Fourth, Our opportunity set is expanding. We see opportunities to invest in manufacturing capability, automation, metrology, and advanced technology capabilities, to expand alongside existing customers, to move development programs into production, and to evaluate complementary strategic opportunities that could broaden our technology platform. Taken together, We believe these four developments are changing the profile of Cintec Optics. Improving operating performance, multiple growth engines, stronger balance sheet, and an expanding set of opportunities in which to deploy capital. With that overview, I will turn the call over to Paul to review the financial results in more detail.

Paul Opala | Controller:

Thank you, Dean, and good afternoon, everyone. Revenue for the second quarter of 2026 was approximately $8.3 million, an increase of 26% compared with approximately $6.6 million in the second quarter of 2025. Revenue growth was also well diversified across our end markets. Medical remained our largest end market during the quarter at approximately $2.8 million, or 34% of revenue, followed by defense at approximately $1.9 million, or 23%, Same numbers for consumer and also at 1.9 million and 23%, with communications coming in at approximately 1.6 million or 20%. Compared with the second quarter of 2025, we generated

meaningful growth across each of these end markets, led by communications and defense. We believe this increasingly balanced revenue mix is important because it demonstrates that our growth is being supported by multiple technology platforms and reduces our dependence on any single market. Gross profit increased approximately 34% to 2.1 million compared with approximately 1.6 million in the prior year quarter. Gross margin expanded to approximately 26% compared with 24% in the prior year quarter and 15% in Q1 of 2026. The sequential improvement reflected higher production volumes together with continued progress in manufacturing throughput, automation, yield, and production efficiency. Operating income improved to approximately $0.3 million compared with an operating loss of approximately $0.1 million in the second quarter of 2025. EBITDA was approximately 11% of revenue during the quarter. As revenue increases and the improved cost structure continues taking effect, management is targeting further progress toward the higher EBITDA levels the company has achieved historically. Net incomes improved to approximately $0.3 million, or one cent per share, compared with a net loss of $0.3 million, or one cent per share in the prior year quarter. Turning to the balance sheet. Cash and cash equivalents were approximately $14 million at June 30th. compared with approximately $0.4 million at December 31, 2025. As being mentioned during the quarter, we completed a public equity offering generating approximately $21.4 million in net proceeds. We used a portion of those proceeds to repay approximately $6.8 million in indebtedness and eliminated a revolving line of credit balance. As a result, current liabilities declined 56% from $11.2 million at year end to $5 million at June 30th. Total liabilities declined approximately 43% from $14.8 million to $8.4 million. The company also generated positive operating cash flows during the first six months of 2026. Importantly, strengthening the balance sheet did not mean slowing investment in the business. During Q2, we invested approximately $700,000 in additional manufacturing equipment and expanded production staffing to support anticipated customer demand. We believe the financial position at June 30th provides FinTech with substantially greater flexibility to support production growth and invest in the capabilities required by our customers. I'll now turn the call back over to Dean for an operational and strategic update.

Dean Rudy | Chief Financial Officer:

Thank you, Paul. I'd like to return to the four themes I mentioned at the beginning and provide some additional context around why we believe they matter. The first point is that the improvement we expected to begin showing in our results is becoming visible. Q1 revenue was approximately $6.5 million. Q2 increased to approximately $8.3 million. For Q3, we currently expect revenues between $8.3 and $9.0 million. And for Q4, we currently expect revenues between $8.0 At the midpoint of our guidance ranges, that would represent another step up in quarterly revenue in both Q3 and Q4. We believe that progression reflects production programs moving through their ramp cycles rather than a single unusual shipment or event. At the same time, The higher production volume is beginning to improve the economics of our manufacturing platform. Growth margin improvement from approximately 15% in Q1 to approximately 26% in Q2 while the company returned to profitability. We continue to target further margin improvement as revenue growth and as throughput, automation, yield, and our cost structure continue to improve. The second point is the breadth of the opportunity. We continue to see expanding opportunities across space, defense, biomedical, and AI-related infrastructure. During the quarter, we increased activity across a number of these areas, including satellite optics and optical communications, missile guidance and defense applications, critical care diagnostics

Paul Opala | Controller:

and Advanced Optical Interconnect Technologies.

Dean Rudy | Chief Financial Officer:

But the more important point is how these opportunities are beginning to connect. Many of the markets we serve are being shaped by common technology trends, increasing demand for computing power, connectivity, sensing, communications and advanced optical systems. I'll come back to that connection in a few moments. There is an important common thread across these markets. We are increasingly seeing customers expand syntax participation within their technological platforms. We are not simply pursuing one program or another. In many cases, we begin with one product or capability and then earn opportunities to manufacture additional products for the same customer. We believe that ability to expand within existing customer relationships is one of the most important long term characteristics of our business model. The third point is that our financial position today is fundamentally different than it was a year ago. As Paul discussed, the actions we took during the quarter significantly strengthened our balance sheet and increased our financial flexibility. But we believe the more important point is that stronger financial position allows us, we believe that what's important is what it allows us to do going forward. Our customers operate long-duration programs and increasingly look to Syntec to support larger production ramps, additional products and new technologies. Being well capitalized gives us greater ability to invest alongside those customers, adding manufacturing capability, equipment, automation, and technical capabilities as opportunities develop. It also gives us greater flexibility in how we think about growth. We can evaluate investments based on their strategic and economic merits rather than being constrained primarily by near-term capital availability. We believe that puts Centec in a much stronger position to support our customers, pursue attractive opportunities, and allocate capital towards investments that can expand our business and create long-term shareholder value. That brings me to the fourth point. The number and scale of opportunities available to Syntec are increasing. During Q2 alone, we invested approximately $0.7 million in additional manufacturing equipment while expanding production staffing. Multiple development programs also advanced towards full productions. Going forward, we see several potential uses of capital that can support the long-term growth of the company. Additional advanced manufacturing capability needed to support customer production ramps. Automation and metrology that can improve throughput, yield, quality, and manufacturing economics. Technical capabilities that allow Syntec to manufacture a broader portion of our customers' optical systems. Investment behind development programs as they transition into recurring production. Complementary strategic opportunities that can broaden our technology portfolio, customer relationships, or manufacturing capabilities. Our approach to these opportunities will remain disciplined. The objective is not simply to deploy capital, Thank you for joining us today. customers are expanding their relationships with us, and the range of opportunities available to the company is becoming larger. Before turning to the near-term outlook, I want to step beyond the current quarter for a few minutes and talk about where we see some of our markets growing. and more importantly, how Syntex capabilities position us to participate as these technologies develop. We believe the build-out of AI infrastructure represents a significant long-term technology trend. There will certainly be winners and losers at the software level, but regardless of which platform ultimately prevails, the physical infrastructure required to support will need to be built. That infrastructure requires enormous amounts of power. Centec is already participating with leading customers in technologies associated with emergency sources of power, including space-based solar applications and fusion energy systems. Once that power reaches the data center, another challenge emerges. moving enormous amounts of data quickly and efficiently within and between computing systems. That increasingly requires optical connectivity. Syntec is participating in that part of the infrastructure through products supporting advanced optical interconnects and micro-connectivity within the data center. The connectivity required does not stop at the data center. Data increasingly needs to move rapidly around the world, and low-Earth orbiting satellite networks are becoming an important part of that communication architecture. Syntec already has more than 20,000 optical links deployed in space as of today. As activity in space expands, we see additional opportunities developing around launch systems, lunar exploration, Communications, and Space Safety. CENTEC is participating in new product activity associated with launch and space applications, and we recently added a program involving optical use to help detect orbital debris and support collision avoidance. Looking further ahead, programs such as Artemis and potential lunar communications infrastructure may create additional markets where our existing optical capabilities could be relevant. There are early stage opportunities, but they illustrate how capabilities developed for one

application can potentially position SYNTECH to participate in the next generation of technology. We see a similar evolution occurring in defense. Connectivity, sensing, displays, cameras. Augmented Reality, and Space-Based Reconnaissance are increasingly becoming interconnected parts of the modern battlefield. Cintiq already participates in several of these areas, including optical products supporting soldier-worn AR, VR systems, sensing and display applications, and space-based defense and reconnaissance programs. The larger point is that we believe many of these markets are still in relatively early stages of development. We don't need to predict exactly which individual technologies will ultimately become the largest markets. Our strategy is to build and maintain advanced optical manufacturing capabilities that allow us to participate across multiple applications as our customer technologies evolve. That is one reason we believe the breadth of Syntec's capabilities and customer relationships is strategically important. The same core competencies in optics, precision manufacturing, coding, assembly, and metrology can support opportunities across AI infrastructure, space, defense, and biomedical technologies. Finally, we are also evaluating whether we can accelerate that strategy through disciplined inorganic growth. Our focus is on opportunities that are complementary to the capabilities and markets we already serve can be integrated effectively into Syntec and have the potential to be accretive and create long-term shareholder value. That could Include complementary technologies in areas such as defense, soldier systems, drone optics, or directed energy applications. It could also include attractive recurring revenue businesses in biomedical markets such as DNA sequencing or surgical applications that complement our existing diagnostics and surgical robotics products. The objective is not growth simply for the sake of becoming larger. It is to selectively add technologies, customers, and capabilities that expand the markets Syntec can address and increase the value of the manufacturing platform we have already built. Outlook As mentioned before, for the third quarter of 2026, We currently expect revenue between $8.3 million and $9 million, driven primarily by biomedical production, AI-enabled AR-VR, microcamera systems, and prototype engineering activities supporting future production programs. For the fourth quarter, we currently expect revenues between $8.75 and $9.25 million, supported by continued expansion of and Low Earth Orbit Satellite Optics, Advanced Optical Interconnects and Initial Production Activity Supporting Emerging Fusion Energy Systems. Our priority for the second half are straightforward. Execute the production ramps already underway. Continue improving manufacturing economics. Invest selectively behind customer demand. Move additional development programs into recurring production and evaluate strategic opportunities that can accelerate our long-term growth. In summary, we entered the second half with growing revenue, improving profitability, a diversified base of customer programs, a substantially stronger balance sheet, and an expanding opportunity set. Our objectives? is to build Syntec into a substantially larger, more profitable optical technology company while maintaining the disciplined capital allocation that we believe can create long-term shareholder value. With that, I'll turn the call back over to the operator.

Operator | Conference Call Operator:

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