NASDAQ:OPTX Q3 2026 Earnings Call Transcript

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Paul McCullough | Controller:

Good day and welcome to the Centec Optics Holdings, Inc.'s third 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 include expectations regarding customer programs, future revenue growth, profitability, production ramps, capital investments, and strategic opportunities. They are based on current expectations and involve risks and uncertainties that may cause actual results to differ materially. For a discussion of these risks, please refer to the company's filings with the Securities and Exchange Commission, included in 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. Today's discussion will include adjusted EBITDA, a non-GAAP financial measure. This measure supplements and should not be considered a substitute for results prepared in accordance with GAAP. Please refer to the company's third quarter form 10Q for the definition of adjusted EBITDA and its reconciliation to GAAP net income or loss. Joining us today are Dean Rudy, Chief Financial Officer, and myself, Paul McCullough, Controller of Syntec Optics. I will now turn the call over to Dean Rudy.

Dean Rudy | Chief Financial Officer:

Thank you, Paul, and good afternoon, everyone. We appreciate everyone joining us today to discuss Syntec Optics third quarter 2026 results. On our last call, we discussed four developments shaping Syntec. Improving operating performance, multiple engines of growth, a stronger balance sheet, and an expanding opportunity set. Our third quarter results show continued progress across all of these themes. First, revenue reached another all-time quarterly high of approximately $8.5 million, increasing 23% year over year. Gross profit more than doubled, and we generated positive operating income and net income. Adjusted EBITDA was approximately $0.9 million, or 10% of revenue. Second, we are Expanding our participation in customer programs across defense, space, life sciences, and AI infrastructure. Defense tech and space tech together represented approximately 64% of quarterly revenue, while life sciences continues to provide a substantial and diversified revenue base. Third, our financial position remains strong. We ended September with approximately $14.4 million in cash, up from approximately $14 million at the end of June, and generated approximately $1.3 million of operating cash flow during the first nine months of the year. And fourth, we continue to see opportunities to use our available capacity Add manufacturing capabilities and support customers as development programs move towards recurring production. Many of these programs have product life cycles of 7 to 10 years and require replacement products over time. Our focus is on earning a larger role within those customer platforms. Taken together, we believe these developments strengthen the foundation for sustained revenue growth and improved profitability. With that overview, I'll turn the call over to Paul to review the financial results in more detail.

Paul McCullough | Controller:

Thank you, Dean. As Dean said, revenue for the third quarter of 2026 was approximately $8.5 million, an increase of 23% compared with approximately $7 million in the third quarter of 2025. Beginning this quarter, we are presenting our revenue breakout across five end markets, space tech, defense tech, life sciences, AI data center and power, along with others including scientific instruments. These categories better describe the applications served by our products and demand drivers affecting our business. Prior year revenues have

been reclassified for comparability with no change in total revenue or the timing of revenue recognitions. These are end market categories, and as such, the company continues to have one reportable segment for gap purposes. Defense Tech was our largest end market with approximately $4.2 million in revenue, up 31% year over year, representing 49% of our quarterly revenue. Space Tech revenue increased 117% to approximately $1.3 million, representing 15% of quarterly revenue and making it our fastest growing end market for the quarter. Life Sciences Revenue increased 12% to approximately $2.7 million. This represents 31% of our quarterly revenue. AI Data Center and Power contributed approximately $200,000 or 2%, as did others including scientific instruments. Gross Profit increased 127% to approximately $1.9 million, comparable to approximately $0.9 million in the prior year quarter. Gross Margin was approximately 23% compared with approximately 12% a year earlier. We are continuing to target another 10% gain in gross margin leading to an adjusted EBITDA of 20%. The year-over-year improvement reflected higher revenue with a comparatively modest increase in cost of goods sold. Selling, general, and administrative expenses were approximately $1.7 million dollars. Down approximately $0.3 million from the prior year quarter. Operating income was approximately $0.2 million compared with an operating loss of approximately $1.2 million a year earlier. Net income was approximately $0.2 million or $0.01 for basic share and diluted share compared with a net loss of $1.4 million or $0.04 per share in the third quarter of 2025. That represents a year-over-year improvement of approximately $1.6 million. Adjusted EBITDA was approximately $800,000, or 10% of revenue, compared with approximately a negative $16,000, or essentially break-even in the prior year quarter, a massive improvement. As previously noted, adjusted EBITDA is a non-GAAP measure, and a definition and reconciliation are included on our Form 10Q. Turning to liquidity, cash was approximately $14.4 million at September 30th, compared with $14 million at June 30th. Operating activities generated approximately $1.3 million of cash during the first nine months of 2026, comparable to $0.7 million in the same period last year. The equity financing completed earlier this year and the repayment of our revolving line of credit substantially strengthened our financial position. We believe our cash balance provides flexibility to support customer demand, invest selectively in manufacturing capabilities, and evaluate complementary growth opportunities. I'm going to 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 from our last call and discuss how they are each developing. Number one, improving operating performance. Our record third quarter revenue and return to profitability compared to the prior year's quarter show the progress we are making. Gross profit increased significantly while selling general and administrative expenses declined. Nearly a year after discussing these concepts, we are actively bringing them to life. We're streamlining how information moves across the manufacturing floor so it matches our material flow, getting the right details to the right place at the right time. As a result, We're cutting down on miscommunication and misalignment efforts, helping us launch faster and avoid costly errors. Number two, multiple engines of growth. The second theme is the breadth of our customer programs. Our updated in-market presentation makes that breadth easier to see. In space tech, our products support low Earth orbiting satellites, Debris Detection and Collision Avoidance, Reconnaissance, and Lunar Mission Hardware. During the third quarter, we announced orders expanding our participation in orbital safety and government satellite reconnaissance. These product lines broaden our space business across multiple programs and mission requirements. Following quarter end, we announced production orders for actuator products supporting NASA's Artemis III rockets. As reported in our October announcement, that order increased space tech backlog by 10%. It also expands our space portfolio from satellites into hardware supporting lunar missions. In defense tech, our products support AI-enabled augmented and virtual reality soldier systems, night vision, Missile Guidance, and Laser Targeting. These are mission critical applications within established defense priorities that span administrations. Announcements during the year included camera and display window products for military wearable systems, expanding our participation within customer platforms. The opportunity is not limited to winning current product as customers succeed with their systems and Us as a mission critical product provider, we seek to add products and capabilities within the same or other platforms and support them over their program life cycles. Life science remains an important

part of that diversified base. Our products serve blood diagnostics for early disease detection, biomedical illumination and visualization, Surgical Robotics, and DNA Sequencing. Earlier in the year, we announced a $4.6 million follow-on order for blood test cartridges and optical reader subsystems, along with approximately $4.0 million of additional recurring life sciences orders across surgical robots, DNA sequencing, ophthalmology, and veterinary care. These programs complement our growing defense and space businesses. Theme number three, a stronger financial platform. The third theme is what our cash position allows us to do. Customers developing next generation technologies need suppliers that can support their transition into recurring high volume production. Our financial position gives us flexibility to invest alongside those customers. That includes adding selected manufacturing capabilities, improving automation and metrology, and using the open capacity already available within our facility. We will continue to evaluate investments based on customer requirements, execution needs, and expected returns. Our goal is to translate the stronger financial platform into sustained growth and stronger profitability. Item number four, an expanding opportunity set. The fourth theme is the opportunity to broaden the role Syntec plays in the technologies connecting and protecting the world. We see a common need for precision optics across AI infrastructure, space systems, defense platforms, and life sciences. Our capabilities in optical manufacturing, coating, assembly, and metrology allow us to serve multiple applications as customer technologies evolve. Within AI infrastructure, our activities include precision micro-connectors for transceivers and photonic integrated circuits. as well as optics supporting emerging space-based solar and earth-based fusion energy applications. These opportunities span both moving data and supporting the power infrastructure needed for future computing demand. In August, we reported approximately 4.0 million in cumulative orders across the broader AI infrastructure opportunity Since entering that market roughly two years ago, current AI data center and power revenue remains modest and has been affected by product transition timing at a major customer. As discussed in our Form 10Q, we expect new product launches in early 2027 to support a rebound in this category. Other scientific instrument applications, including some quantum computing activity, and to the breadth of the markets our capacities can serve. We also continue to evaluate contemporary strategic opportunities that could broaden our technology portfolio, customer relationships or manufacturing capabilities. Our approach remains disciplined with our focus on opportunities that can be integrated effectively and create long-term shareholder value. Looking to the fourth quarter and beyond, our focus is on adding customer programs that can use our available capacity and support long product life cycles. We believe defense and space provide meaningful growth opportunities supported by our expanding participation in connected battlefield technologies, orbital safety, reconnaissance, and lunar mission hardware. Life Sciences continue to provide a substantial revenue base, while AI infrastructure offers additional opportunities as customer product transitions progress. Syntec has recently announced several key program wins. Next on our new business teams are targeting the future of the connected battlefield with next-generation camera technologies. Using advanced microstructures and metal lens, our systems will see deeper into the infrared spectrum to counter enemy concealment, capture weaker signals, and reduce overall weight and power demands. We are also working towards adding programs that will help us make not only precision engineered products, but tools that build and alter precision. In past years, we spoke about the future, Those programs are here now. Now we set our sights on the next frontier. We can be here sooner if we think hard. Our new long-term priorities remain straightforward. Execute customer programs, use available capacity effectively, improve manufacturing economics, and invest selectively behind customer demand. The time of production ramps, customer orders, and tuning milestones will continue to influence quarterly results. We remain focused on translating our opportunity set into sustained revenue growth and stronger profitability. We end the third quarter with record revenue, improved profitability compared with a year ago, a diversified base of customer programs, and a strong cash position. We believe Syntec is well positioned to build honest momentum in defense and space while continuing to serve important life sciences and emerging AI, picks and shovels type applications. Our objective is to build a larger, more profitable technology company through disciplined execution and capital allocation. Thank you to our employees for their hard work, to our customers for their trust, and to our shareholders for their continued support. With that, I will turn the call back over to Paul.

Paul McCullough | Controller:

Thank you, Dean, for your insights today. Should you have any questions regarding Cintec Optics earnings results or strategic initiatives, please contact Investor Relations at the email address of InvestorRelations at CintechOptics.com. That's Investor Relations, one word, at CintechOptics.com. A recording of today's call will be available in the Investor Relations section of the company's website at www.CintechOptics.com. Thank you for joining us today and have a great evening.