

NASDAQ:PRSO Q3 2025 Earnings Call Transcript

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Operator | Conference Call Operator:

Good afternoon and welcome to Peraza Inc.' 's third quarter 2025 conference call. At this time, all participants are in a listen-only mode. If anyone needs assistance at any time to your conference call, please press the star key followed by the zero key on your touchtone phone. As a reminder, this conference call is being recorded today, Monday, November 10th of 2025. I would now like to turn the call over to your host for today's conference call, Mr. Jim Sullivan. Please go ahead.

Jim Sullivan | Chief Financial Officer:

Good afternoon, and thank you for joining today's conference call to discuss Perasso's third quarter 2025 financial results. I'm Jim Sullivan, CFO of Perasso, and joining me today is Ron Glibery, our CEO. Today, after the market closed, we issued a press release and related Form 8K, which was filed with the Securities and Exchange Commission. The press release and Form 8K are available on Perasso's website at www.perassoinc.com under the Investor Relations section. There is also a slide presentation that we will be using in conjunction with today's call that can also be accessed through the webcast link on the Investor Relations website. As a reminder, comments made during today's conference call may include forward-looking statements. All statements other than statements of historical fact could be deemed as forward-looking. RASO advises caution and reliance on forward-looking statements. These statements include, without limitation, any projections of revenue, margins, expenses, non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, adjusted EBITDA, non-GAAP net loss, cash flows, or other financial items, including anticipated cost savings, as well as any statements concerning the expected development, performance, and market share or competitive performance of our products and technologies. as well as any potential statements related to prospective future financing arrangements or capital transactions and the evaluation or pursuit of strategic alternatives. Actual results to differ materially from those implied by the forward-looking statements, including unexpected changes in the company's business. More detailed information about these risk factors and additional risk factors are set forth in PRASO's public filings with the Securities and Exchange Commission. PRASO expressly disclaims any obligation to update or alter its forward look, whether as a result of new information, future events, or otherwise, except as required applicable law. Additionally, the company's press release and management statements during this conference call will include discussions of certain measures and financial information in terms of GAAP and non-GAAP. With respect to remarks on today's call involving non-GAAP numbers, unless otherwise indicated, referenced amounts exclude stock-based compensation expense, amortization of intangible assets, severance costs, and the change in fair value of warrant liabilities. These non-GAAP financial measures Definitions and the reconciliation of the differences between them and comparable gap measures are presented in our press release and related form 8K, which provides additional details. For those of you unable to listen to the entire call at this time, a recording will be available on the investor relations page of our website. Now, I would like to turn the call over to our CEO, Ron Glibury, for his prepared remarks.

Unknown:

and webcast, we appreciate you joining today's conference call.

Ron Glibery | Chief Executive Officer:

We had a notably strong third quarter highlighted by growing orders and shipments of Peraza's industry-leading 60 gigahertz wireless solutions. Total revenue increased more than 45% sequentially, driven by record quarterly revenue from our millimeter wave products. Gross margin also increased significantly in the previous quarter, achieving our targeted gross margin level in the mid-50% range. Consistent with prior recent quarters, We continue to exercise prudent cost management and drive operational efficiencies across the organization. Collectively, these metrics contribute to improved operating and bottom-line results, as well as reduced cash burn from operations in the third quarter.

Unknown:

Turning to slide four. 60 GHz mmWave solutions.

Ron Glibery | Chief Executive Officer:

As such, we have welcomed a steady recovery throughout the year in market demand and customer orders, both of which are reflected in our third quarter results. We believe that fixed wireless access markets' renewed momentum is sustainable, particularly for our 60 GHz wireless solutions. As there continues to be growing rear-recognition mmWave's ability to enable reliable, high-speed and low latency broadband connectivity to homes and businesses without the time and cost burdens associated with fiber infrastructure. For further evidence of fixed wireless access and millimeter wave broadening market traction, I would encourage you, our investors, to take a look at Verizon, a fixed wireless access service provider with a strong background in millimeter wave technology. Quarterly revenue for millimeter wave products were multiple prominent wins in fixed wireless access. The first of these wins was one of our leading partners, Tachyon Networks, which we announced in early July and covered on a previous conference call. To briefly recap, Tachyon Networks chose to incorporate one of our prospective series modules with an integrated 16-element phased array antenna to power its latest outdoor CGHZ fixed wireless solution. conference call, we announced our renewed collaboration with WeLink Communications to accelerate the deployment of high-speed broadband access across dense urban areas in multiple major U.S. cities in the U.S.

Unknown:

More specifically, WeLink's mesh-based fixed wireless access architecture is leveraging Perazzo 60 GHz technology for both businesses and consumers in dense urban neighborhoods.

Ron Glibery | Chief Executive Officer:

Also notable, they are successfully rolling out this high-speed wireless broadband service at a fraction of the cost and implementation time of typical fiber deployments. Most recently, in September, we secured an initial volume order... ..market... I want to highlight that this order for our Prospectus millimeter wave modules was not only received from a first-time OEM customer, but they are a well-established equipment supplier to service providers. As a result, this new OEM customer has the potential to facilitate broader use of our millimeter wave solutions by an expanded number of fixed wireless service providers, many of which may not have previously been aware of or experienced the benefit of Perazzo's industry-leading technology. In addition to these recent wins, we are continuously supporting a broad number of proof of concepts with wireless internet service providers utilizing Perazzo's millimeter wave technology. With the majority of customers at or approaching more normalized inventory levels, we expect to see additional production orders as successful proof of concepts are completed. Together with our ongoing efforts to convert other existing customer engagements into production,

Unknown:

year growth.

Ron Glibery | Chief Executive Officer:

Turning to slide five. As discussed on previous quarterly update calls, we are continuing to see increased market awareness of 60 gigahertz technology that extends beyond fixed wireless to access completely new markets. The most notable among these new emerging markets for process millimeter wave solutions has been what we refer to as tactical communications, which includes diverse mission critical military defense applications. During the course of exploring inbound interest and prospective engagements with potential customers and ecosystem partners, the substantial value proposition of 60 GHz wireless for tactical communications has become unmistakably clear. The everyday performance benefits that have made MillimeterWave the go-to technology in fixed wireless access, such as high data rates, ultra-low latency, and power efficiency, are also ideal for enabling next-generation solutions for tactical communications. Additionally, millimeter waves inherently stealthy attributes and low probability of intercept represent a unique and unmatched advantage over potential wireless technologies. Critical communication challenges encountered in tactical defense environments. This included securing a strategic contact with a specialized defense contractor who we've subsequently continued to collaborate with on a jointly developed system solution that leverages Parasol 60 gigahertz technology for a first of its kind tactical defense application. This new mobile system solution is designed to provide heightened communications situational awareness to help safe military personnel and non-combatants such as medics and humanitarian responders operating in high risk environments. As a reminder, we announced the delivery of initial production shipments of our advanced 60 gigahertz wireless solutions in support of this jointly developed solution in the June timeframe. Today, I'm pleased to report the recent and successful completion of initial field trials of this innovative solution. Upon the completion of additional trials, we expect a jointly developed solution with our lead customer to represent a significant long-term revenue opportunity for Perazzo. In addition to the successful initial field trial validating the robot's capabilities of Perazzo's millimeter wave technology, we believe it represents and will serve as a fountain for further commercial expansion into the tactical defense communications market over the coming quarters. In fact, despite our lead customers' understandable sensitivity to being named or publishing additional details about our jointly developed solution, we are confident that this engagement is contributing to the increased dialogue and engagement that we are fielding within the tactical communications market. Moving to slide six.

Unknown:

On our previous conference call, I addressed how

Ron Glibery | Chief Executive Officer:

secured production order to incorporate our 60 gigahertz technology in a customer's video system targeted for use in the educational market. Although the revenue contribution from these adjacent market opportunities is often smaller relative to our fixed wireless business, the purpose of my commentary around adjacent markets last quarter was to demonstrate the true versatility of Peraza's millimeter wave technology. of future customers about potentially utilizing our 60 gigahertz technology in various markets, I wanted to circle back in on today's call and dig a little deeper into adjacent markets. While each of these prospective discussions were focused on completely different end markets, they all shared a common use case, namely overcoming the challenges associated with processing massive amounts of high bandwidth video for edge AI applications. A few natural examples of these edge AI applications would include last mile delivery services, autonomous vehicles, and drones. Stepping back for a second, what's really compelling is that the same inherent high performance and advanced capabilities that millimeter wave brings to fixed wireless and tactical

communications, the same attributes can be critical enablers for high bandwidth video for edge AI. More specifically, 60 gigahertz millimeter wave readily supports multi-gigabit data rates for streaming or transferring high-resolution video. Additionally, ultra-low latency allows near instantaneous data transfer for real-time applications. And lastly, 60 gigahertz millimeter wave is also inherently and exceptionally power efficient. This is especially critical for edge AI device, many of which are battery-powered.

Unknown:

high resolution video at multi gigabit data rates.

Ron Glibery | Chief Executive Officer:

We'll keep you posted with our progress over the coming quarters. Turning to slide seven. This is an updated snapshot showing the evolution of our engagements pipeline over roughly the past two years. The figures on this slide represent the different SKUs or distinct device models at each stage of engagement. And then at the bottom is the cumulative number of SKUs that customers have released to production. For those that may be familiar with previous versions of this slide, you might notice that the current number of funnel opportunities is smaller than in the past. This is the result of a recently completed effort to narrow the total pool of identified opportunities down to those our team believes have the most commercial potential and highest formal engagements. As such, you can consider the currently greater than 30 funnel opportunity shown at the top as qualified opportunities. We chose to do this for two reasons. First, it better reflects the number of realistic near to intermediate opportunities that we are actively cultivating. And then second, it also reflects our heightened focus internally towards advancing the most attractive and highest probability opportunities into formal engagements with customers. I can continue to like using this slide because it clearly demonstrates not only the progress that we made over time, but also provides near real-time insight into the literal pipeline of potential new incremental business that we are currently working on.

Unknown:

In addition to briefly mentioning that all of the pictures shown here are actual customers and products, call out a couple of key takeaways.

Ron Glibery | Chief Executive Officer:

First, we have nearly doubled the number of customer SKUs in production over the last two years, contributing to a meaningful diversification of our customer base as well as end-market applications. Then, lastly, this is the first time that Perazzo has had a double-digit number of new customer devices in pre-production at any single point in time. This is a testament to our team's focus and dedication as these pre-production SKUs represent line-of-sight to new potential revenue streams once released to the commercial production by customers. In closing, we had a great third quarter, and we are pleased with the continued progress of our growth initiatives, highlighted by the record revenue contribution of our millimeter-wave product. In addition to capitalizing on the momentum of the fixed wireless access market, we are seeing rapidly expanding opportunities for our 60 gigahertz wireless solutions in new end markets and applications, all of which are poised to benefit from the high bandwidth, secure, and power-efficient connectivity offered by Perazzo's technology. Look of engagements into additional design-ins and production orders spanning both millimeter-wave fixed wireless access as well as adjacent new market opportunities for our 60 gigahertz solutions. We believe that today we are well positioned to deliver continued year-over-year growth from our millimeter-wave products in the fourth quarter and into 2026. Coupled with this anticipated growth, we are remaining committed to disciplined expense management with the goal of driving steady improvement in our quarterly operating results. With that, I'll turn the call back over to Jim to review the

financials and provide our revenue outlook for the fourth quarter.

Jim Sullivan | Chief Financial Officer:

Thank you, Ron. Turning now to the results for the third quarter of 2025. Total net revenue for the third quarter was \$3.2 million, compared with \$2.2 million for the prior quarter and \$3.8 million for the third quarter of 2024. Product revenues for the third quarter of 2025 from the comparable period of 2024 was primarily attributable to the reduction in shipments of memory IC products due to the previously announced end of life of the products. Specific to sales of millimeter wave products, revenues were \$3 million in the third quarter of 2025, compared with \$2.2 million in the prior quarter and \$0.1 million in the third quarter of 2024. Consolidated gross margin increased to 56.2% in the third quarter from 48.3% in the prior quarter and compared with 47% in the year ago quarter. The increase in GAAP gross margin for the third quarter of 2025 from the prior comparable periods was primarily attributable to a more favorable revenue mix of millimeter wave products and solutions, as well as shipments of inventory written down in prior periods. On a non-GAAP basis, gross margin for the third quarter was also 56.2%, compared with 48.3% in the prior quarter, and compared with 61.7% in the third quarter of 2024, which was primarily attributable to shipments of memory IC products. GAAP operating expenses for the third quarter of 2025 were \$3 million, reversal for software license obligations, and \$4.5 million in the third quarter of 2024. The decrease in operating expenses on a GAAP basis from the comparable period of 2024 was primarily attributable to reduced stock-based compensation expense and amortization expense related to intangible assets fully amortized in 2024. Non-GAAP operating expenses, which exclude stock-based compensation, were \$2.9 million in the third quarter, compared with \$2.7 million in the prior quarter, which included \$0.2 million accrual reversal for software license obligations, and \$3.3 million in the third quarter of 2024. The decrease in operating expenses on a non-GAAP basis from the comparable period of 2024 was primarily due to the lack of maintenance initiatives, compared with a net loss of \$2.7 million or a loss of \$0.98 per share in the same quarter a year ago. And changes in fair value of warrant liabilities for the third quarter of 2025 was \$1.1 million or a loss of \$0.15 per share. This compared with a non-GAAP net loss of \$1.7 million or a loss of \$0.28 per share in the prior quarter and a net loss of \$0.9 million, or a loss of \$0.34 per share in the same quarter a year ago. fair value of warrant liabilities, interest expense, depreciation and amortization, and the provision for income taxes, was negative \$1 million in the third quarter of 2025, compared with negative \$1.6 million in the prior quarter and negative \$0.8 million in the third quarter of 2024. With regard to the balance sheet, as of September 30, 2025, the company had approximately \$1.9 million of cash, compared with \$1.8 million as of June 30, 2025. The net positive change of approximately \$0.1 million in the company's cash balance for the third quarter included approximately \$0.9 million of net proceeds from a warrant inducement offering of certain Series C warrants and approximately \$0.7 million of net proceeds from the company's at-the-market offering program during the quarter. As of today's call, the company has approximately 8.98 million shares of common stock, transaction, as well as various potential sources of additional capital. Aside from confirming that the strategic review process continues to be ongoing in coordination with the company's financial advisor, there are no related updates to share on today's call from what we have previously disclosed. Now, turning to our outlook.

Unknown:

As Ron previously discussed, we are in the process of 60 GHz wireless solutions.

Jim Sullivan | Chief Financial Officer:

Based on current backlog, the company expects total net revenue for the fourth quarter of 2025 to be in the range of \$2.8 million to \$3.1 million. This concludes our prepared remarks, and we thank you for your time this afternoon.

Unknown:

Operator, please commence the Q&A session. Question and answer session.

Operator | Conference Call Operator:

If you would like to ask a question, please press star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star 2 if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions.

Dave | Analyst:

Confidence. But it sounds like you're making a lot of momentum here. So I guess maybe on my first question is on the new OEM that you announced or spoke to, can you give a little more color on that? And it sounds like you're very optimistic about that. What does that opportunity look like and what does that mean, do you think?

Ron Glibery | Chief Executive Officer:

Well, we feel the number two OEM in the space, so they're very sensitive to confidentiality, so we can't release the specifics. But from our perspective, it's just to get another validation. Something I didn't mention on the call, sorry, Dave, that I should, is that these OEMs now historically have been using other, and I won't say which competitors, but other competitors who now we're beating out because we have better performance. That's exactly what happened in this case. So, you know, a couple of things are happening. Obviously, the inventory, you know, kind of correction is coming to an end. But I think more importantly, we're starting to see all of these, you know, OEMs who are using other chipset vendors come over to Barraza. And I think we're going to continue to see that over the coming quarters.

Dave | Analyst:

for you, obviously it signals growth in demand and that fixed wireless access, but does that specifically speak to anything from your perspective in either positive or negative?

Ron Glibery | Chief Executive Officer:

Well, broadly it's positive. I mean, that, you know, I think Starry made no bones about their use of millimeter waves, so I think it's another great validation of the technology. You know, you'll have to infer whether they were using Feras or not, but I would say generally it's been a very positive endorsement for Perazzo. But, yeah, I mean, you know, Starry was a real advocate of – and what's interesting, actually, is they're using it for MDUs, multiple dwelling units. So turning out millimeter wave is a really nice technology for satisfying that market as well. And we're seeing that, you know, in other jurisdictions. But we think the real kind of catalyst in that situation was the support for MDUs, if you will.

Dave | Analyst:

Okay, great. And just a couple more quick ones. But I wanted to ask about the timing of customer production schedules. You talked about your funnel. You're obviously gaining some momentum there. Is there any way to kind of think about your customer's typical design cycles now that we're through this inventory? Do you get a sense they're coming to market more quickly, or will there still be an elongated kind of design cycle before we see them turn into production?

Ron Glibery | Chief Executive Officer:

Yeah, I mean, I think it's case by case. But here's how I would look at it, Dave. Like, excuse me, in the, uh, in the fixed wireless space, you know, that's tried, um, you know, well, well, well-oiled machine in nine to 12 months period, uh, you know, kind of from an engagement to kind of mass production, um, new opportunities like, like military, you know, you're looking at probably 12 to 15 months, obviously, because there's more work that has to be done, more customization. So, you know, it really depends if it's an existing market or a new market. And again, like, um, You know, we're seeing these opportunities now in edge AI, and that may take, again, 12 to 15 months would be my estimate, but that's kind of the timeframes that we're looking at normally.

Dave | Analyst:

Okay, great. And then maybe just, Jim, on the balance sheet, it looked like you've got inventory and AR were both up pretty sharply sequentially. Anything to speak to there, or maybe how should we think about your working capital going forward?

Jim Sullivan | Chief Financial Officer:

Yeah, no, the AR was really a timing of functioning of sales. And I know certainly as of today, we've collected, I think, over 70% of it. And the remaining amount is one customer, which has a little bit longer terms. So nothing unusual in there, just a function of the higher product revenues. And then from inventory, we've actually used a fair amount of the inventory for certain products, um, that we had on hand. So we've actually been building more inventory on certain products, um, you know, to meet anticipated, you know, demand looking out for Q1 and Q2. So, you know, the good news is we continue to sell what we have. And in those cases where we've depleted it, we've actually gone out and built more wafers. Um, so, you know, we're, we're going to continue to tightly manage the, um, you know, the working capital looking, um, you know, looking forward and, um, Yeah, we're really kind of managing the bills based on, you know, what we see in the backlog. We want the orders placed, you know, so we're not too, you know, don't lean too far forward on inventory.

Dave | Analyst:

And just one last one, if I can. Sorry to take all the time here, but one of the questions is kind of on the gross margin, given that some of that was written down previously, obviously the millimeter wave doing better. How should we think about kind of the balance on the gross margin as we kind of go forward from here?

Jim Sullivan | Chief Financial Officer:

You know, we're still trying to keep it in that, you know, right around 50% range. It was a little bit higher here in the third quarter because of the, you know, it certainly benefited from product mix, you know, with the mix of customers. And then as well, as you pointed out, the sales reserve, you know, inventory, which, you know,

we still have some of that we're going to move through in the next, you know, few quarters. you know, 50, there was also a very small contribution from our memory products, you know, like 75 K or so revenue that, you know, also contributed as well as the, um, you know, the NRE revenue, um, that we brought in, um, on the millimeter wave side, you know, I think, you know, more realistic here in the short term is we're still kind of working through things. It's kind of in that, you know, we're still targeting kind of that 50%, you know, on the low side, kind of, you know, high forties, um, but kind of right around 50 is where we're targeting.

Dave | Analyst:

Fantastic. Well, thanks for all the time and the best of luck on the quarter, gentlemen. Thank you. Thanks a lot, David.

Jim Sullivan | Chief Financial Officer:

Thanks for your time.

Operator | Conference Call Operator:

Thank you. The next question is coming from Kevin Liu from K. Liu & Company. Kevin, your line is live.

Kevin Liu | Analyst, K. Liu & Company:

Hey, good afternoon, guys. Maybe just to follow on to some of the production schedules mentioned earlier, you know, you have that double-digit number of customers in your pipeline that are in pre-production mode. Once they get to that late stage, you know, how long does it typically take before you start to see them contribute more meaningfully to you?

Ron Glibery | Chief Executive Officer:

Oh, once they get to pre-production, Kevin, so pre-production is quite a long way. I mean, a lot of the, it's a very strong part of the pipeline process, pipe cleaning process. So typically that's about three months away, I think, one quarter away at the most. Once a customer gets to that point, they're well down the path. You know, like some more fundamental things, like, for example, regulatory approval. By then they've normally got it. You know, they've got, like, if there's any late parts in their, you know, kind of in their bill of material. So there are a few things. But typically once you see a customer at pre-production, it's about three months away.

Kevin Liu | Analyst, K. Liu & Company:

Sounds good. And I know you can only say so much about kind of that lead tactical defense customer you have, but you did mention some additional trials before they get to more meaningful long-term revenues for you guys. How long do you expect some of these trials to go before you get to that?

Ron Glibery | Chief Executive Officer:

Yeah, they've got trials. I mean, there's trials coming up at Christmas. I think we'll see real production from these guys. I mean, what they're telling us now, it looks like we'll start to see the real production for that in the second half of 26th. Um, but you know, obviously they'll have to place the orders before then, but that's kind of the time and working at which, you know, net net is, is, is about that 15 to kind of like call it five to six

quarter, you know, lag from the time we engaged for the time they're in full production. So pretty typical, but, but frankly speaking, that was, you know, it's a, it's a very complex product. Uh, you know, but we put a lot of effort into it, but I mean, just to give you a, like a, you know, quick example, I mean, the, Our power consumption was cut down like, you know, 20 times from our standard power consumption. So, you know, when we see these new opportunities once in a while, we have to make a contribution to get that, you know, get that product to market as well in case it took some time. But that'll be about a five to six quarter lag time from the time we engaged. But, you know, we're seeing for that customer second half of 26.

Kevin Liu | Analyst, K. Liu & Company:

Got it. And with some of the adjacent market opportunities you pointed out and these customers evaluating your products, can you talk a little bit about kind of the pipeline of NRE opportunities and how much, if any, sort of additional research or customization might need to occur to win these customers?

Ron Glibery | Chief Executive Officer:

Well, it turns out there's kind of two buckets. And just to clarify, I mean, I tried to clarify on the call, Kevin, but really what's interesting about these opportunities is historically, You know, we're very good at doing video, but this is really, let's take a VR headset. You know, that was video going to the VR headset. The change on the examples that we gave is, like, cameras within the device, like either in a self-driving car or maybe in, like, AR glasses. That's video coming out of the device. And it turns out there's no good way to do that, honestly, today, except for Perazzo. So it turns out there's two different buckets. One bucket is with our existing chips. Again, still requires some NRE to get those things to market, but they want to move very, very quickly. The other bucket is actually customization of chips. That'll take longer, but kind of a much bigger deal. So I would say that those are the two categories we're looking at in terms of NRE is kind of with our existing chip, but also almost more exciting, not as more exciting, but as exciting is the opportunity to do silicon spins for these specific applications as well. We wouldn't do it unless it was a big deal.

Kevin Liu | Analyst, K. Liu & Company:

Yeah, understood. And then just lastly, maybe for Jim, for your Q4 guidance, I'm curious how much more memory revenue there is from that deal you guys announced last quarter. And if because of that higher margin revenue, we should assume kind of gross margin increases on a sequential basis.

Jim Sullivan | Chief Financial Officer:

Yeah, there's still, you know, we had press releases Those memory orders a couple weeks back, there's still about 375K of memory shipments in this current fourth quarter, which will be pretty high margin. You know, we'll definitely, you know, definitely lead to improvement there. You know, I think we'll kind of see margins in the fourth quarter kind of around where they were, you know, in the third quarter with that memory benefit. coming in, you know, kind of mid-50s.

Kevin Liu | Analyst, K. Liu & Company:

All right. Sounds good. I'll leave it there. Congrats again on the quarter, and thanks for taking the question.

Ron Glibery | Chief Executive Officer:

Thanks a lot, Kevin. Thanks, Kevin.

Operator | Conference Call Operator:

Thank you. And there were no other questions at this time. That does conclude today's Q&A session, and this also does conclude today's conference. You may disconnect your lines at this time. Thank you for your participation.

Ron Glibery | Chief Executive Officer:

Thank you.