NASDAQ:RFIL Q2 2026 Earnings Call Transcript

Generated on 11/25/2026

Conference Operator | Operator:

Greetings. Welcome to the RF industry's second quarter fiscal 2026 financial results conference call. At this time, all participants are in a listen-only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star zero on your telephone keypad. Please note, this conference is being recorded. I will now turn the conference over to your host, Donnie Case, Investor Relations.

Donnie Case | Investor Relations:

Thank you, Jeff. Thank you, John, and good afternoon, everyone, and welcome to RF Industries' second quarter fiscal 2026 earnings conference call. With me today are RFI's Chief Executive Officer, Rob Dawson, President and COO, Ray Babisi, and CFO, Peter Yin. We issued our press release after market today, and that release is available on our website at rfindustries.com. I want to remind everyone that during today's call, management will be making forward-looking statements that involve risk and uncertainties. Please note that information on this call today may constitute forward-looking statements under the Securities Exchange Laws. When used, the words anticipate, believe, expect, intend, future, and other similar expressions identify forward-looking statements. These forward-looking statements reflect management's current views with respect to future events and financial performance and are subject to risk and uncertainties. Actual results may differ materially from the outcomes contained in any forward-looking statements Factors that could cause these forward-looking statements to differ from actual results include the risk and uncertainties discussed in the company's reports on Form 10-K and 10-Q and other filings with the SEC. RF industry undertakes no obligation to update or revise any forward-looking statements. Additionally, throughout this call, we will be discussing certain non-GAAP financial measures. Today's earnings release and related current report on Form 8K describe the differences between our GAAP and non-GAAP reporting. And with that, I'll turn the conference over to Rob Dawson, Chief Executive Officer. Go ahead, Rob.

Rob Dawson | Chief Executive Officer:

Thanks, Donnie. Good afternoon, everyone. Thanks for joining us. The RFI team delivered another quarter of solid execution in Q2, continuing the steady progression we've outlined over the last several quarters. As we've consistently communicated, our focus has been on improving profitability, diversifying our end markets, and scaling the business in a disciplined way. And we're now delivering tangible results across each of those priorities that are converting into meaningful year over year improvement in both revenue and profitability. As a quick summary, second quarter revenue of nearly $21 million increased both year over year and sequentially. And gross profit margin expanded to 35.1%, a 360 basis point gain over the same period last year. Adjusted EBITDA nearly doubled year over year to $2 million. And we also delivered positive consolidated net income of $879,000 versus a loss of $245,000 in the second quarter of fiscal 2025. Our team continued to generate robust bookings, driving backlog to $20 million at quarter end, and as of today, it sits at $20.1 million, which helps provide better visibility into the second half of the fiscal year and supports our expectation of continued growth. Most notably, we're seeing the power in our operating leverage, with incremental revenue contributing disproportionately to the bottom line. These results reflect both the improved mix and operational discipline we've implemented across the business. From a momentum perspective, we're seeing clear validation of our strategy to position RFI as a solutions provider versus a component supplier. Customer engagement has increased meaningfully, especially in the wireless carrier ecosystem and with the

related infrastructure providers. We're receiving more targeted inbound interest with customers approaching us around specific use cases and deployments rather than general inquiries. I think this indicates that we're gaining visibility in our target end markets, which are among the most dynamic sectors in the US economy. These are markets like aerospace, data center infrastructure, venues, and transportation, which includes airport settings, rail, and other mass transit, for example. Our longstanding reputation for quality and service, our talented technical engineering teams, and our commitment to the American workforce have created a strong value proposition to current and prospective customers. Importantly, this is translating into increased demand. We continue to see steady activity across our pipeline, recurring order flow from key customers, including our largest accounts, and continued strength in our distribution channels. Our pipeline remains a key source of competence. We're actively engaged in several large potential opportunities, including multi-site deployments of our integrated systems that could represent meaningful incremental revenue if awarded. These opportunities are driven by large-scale network deployments and upgrades, and they include turnkey solutions that combine our products and technical know-how with installation and logistics support. And of course, with each new solution or application, we fine-tune and expand our product and services roadmap. Across our end markets, we're seeing visibility improve going forward, Regarding small cells, deployments were slower in the quarter based on timing from some key customers as they work through restructuring or other M&A-related details. We view this as a temporary timing issue, not a structural change in underlying demand, and we expect activity to resume and increase through the balance of the year. In early May, RFI participated in ConnectX, which is widely considered to be a premier U.S. event for communication infrastructure and connectivity. It brings the entire wireless ecosystem together. Carriers, power companies, integrators, distributors, and manufacturers in a single venue. Our booth was extremely active and our customer discussions were specific and actionable. If customer engagement and booth traffic are real-time demand indicators, our telecom pipeline should continue to grow. Custom cabling solutions continue to be a big contributor in the second quarter. To be clear, these are engineered builds rather than commodity items and are typically designed to meet exact specs for performance, durability, or regulatory requirements. RFI's reputation in this business is second to none and a big reason that major aerospace and industrial manufacturing companies are repeat customers for mission-critical cabling systems, which is driving overall demand to near-peak levels historically. As you've heard previously, From me before, we believe our DAC or direct air cooling systems are a game changer. We're seeing adoption expand across a broader set of use cases, many of which have been identified by our customers and partners. DAC is uniquely efficient and cost effective for both small and large deployments. And we're finding new ways to add incremental value, such as remote monitoring and installation services. I've been asked about our DAC's competitive position And while traditional HVAC is still an obvious competitive solution, we believe we have an edge on adaptability, functionality, and cost efficiency. Technologies like liquid cooling, which is often used in hyperscale data centers, is more likely to complement our offering rather than economically replace it. This is why we are leaning into edge data center market versus the massive hyperscale data centers. We believe our product portfolio is better understood and more visible in the market. Hats off to our marketing and technical teams who are making this happen. From an operational perspective, we continue to believe in the scalability of our manufacturing footprint and our capacity to meet growing demand. Ray will go into more detail on some of the areas that I've discussed, but let me give a quick summary before I hand the call off to Ray. Looking ahead, we're feeling confident in our trajectory. With what we know today, we expect fiscal third quarter sales to increase sequentially over Q2. Integrated systems activity should accelerate in the back half of the year. Our diversified end market exposure provides durability. Operating leverage should continue to drive margin expansion. And most importantly, we're executing against the same strategic priorities we've outlined and delivering measurable results. On a final note, we were pleased to learn that RFI is set to be included in the Russell 3000 beginning on June 26th. Being included in this index should help to expand our visibility with institutional investors, enhance our liquidity, and lead to a broader shareholder base. Now let me turn the call over to Ray.

Ray Babisi | President and COO:

Thank you, Rob, and good afternoon, everyone. As Rob highlighted, the RFI team is executing very well. I want to take the next several minutes to walk you through how we are actively managing key levers of our business, to drive growth, reduce vulnerability, and create lasting shareholder value. I'll take you through sales, product management, engineering and operations, and the levers driving our strategy forward. Let me begin with our commercial results. The growth trajectory we have been building is showing up in our numbers. When you look at where we've come from, 18.8 million in Q2 of last year, 19.1 million last quarter, and 20.7 million this quarter, the direction is clear. That's not a coincidence. It's our strategy working exactly as designed. But the number I want you to focus on is our bookings. In Q2, we achieved over $26 million in bookings, our strongest bookings quarter in many years. Let that sink in. That performance drove our backlog to over 20 million, giving us the visibility and the confidence that the back half of 2026 is set up well. We've been saying diversification would be our strength, and in Q2 proved it again. When one area faces timing pressures, others step up. That's not luck. That's a portfolio working exactly as it was designed. Custom cabling once again led the way, delivering strong results driven by contributions from both our Connecticut and Long Island teams. Interconnect put up solid combined numbers and continues to build a healthy backlog. In an integrated system, these product areas continue to build momentum. The team delivered strong bookings during Q2, bolstering the backlog headed into the second half of the year. Turning to engineering and product management, this remains an area of significant focus, and I am pleased to report that the work we have been doing is translating directly into results. Our engineering roadmap continues to grow, spanning strategic initiatives, tactical developments, and cost reduction efforts, representing meaningful revenue potential over the next few years. What excites me is the innovation is already showing up in our numbers. Newly engineered products and solutions released in the first half have generated strong bookings and shipments, and we expect that momentum to continue to build as we move through the year. In Q2 specifically, we launched new products across thermal cooling and RF passives, proof that our roadmap is executing on schedule and delivering customer value. On the strategic side, we are advancing DAC trials with new customers, markets, and application, exciting developments that continue to validate our thermal cooling solutions. Our product roadmap is focused on developing and enhancing solutions that anticipate customer needs and expand the value we deliver across our end markets. Our engineering teams are building solutions designed not just for today's requirements, but for where our customers are headed. That forward-looking mindset is what we believe will make RF Industries the trusted partner of choice across the markets that we serve. Operations continues to be a key differentiator for us. Our US-based manufacturing footprint spanning both East and West Coast facilities combined with our deliberately diversified supply chain gives us the flexibility to respond quickly to changing demand while avoiding disruptions. Built to scale, built to deliver. That is the operational foundation we have put in place. Two other areas worth highlighting. First, our cost reduction program is delivering strong results in the first half, driven by supplier negotiation, transformation initiatives, and tariff management through source relocation. That said, we are not naive about the tariff environment. With key decisions still ahead in July, we are monitoring the situation closely and are prepared to adapt as needed. The diversification of our supply chain and our ongoing strategic sourcing efforts position us well to manage whatever comes next. Second, on inventory, it was slightly up this quarter due to timing. We had products built and ready to ship in Q2, but customer releases moved into Q3. As those releases come through, we expect inventory turns and working capital to improve. Across all areas of our business, we are enhancing process efficiency, improving visibility, and reinforcing execution discipline. Our teams are aligned, our tools are improving, and our real-time visibility across all business units is giving us the insight to make faster, smarter decisions. This is the operational foundation that allows us to scale quickly, maintain consistent quality, and reduce margins as demand grows. We are building an organization that is not just executing for today, but is structured to perform as we grow. When I step back and look at what we are building, diversified revenue streams, disciplined operations, and a culture of innovation, it all connects. These aren't independent efforts. They work together to reduce vulnerability, create opportunities, and convert our pipeline and backlog into real performance gains. And importantly, we are doing it while closely and maintaining our operational integrity. I would categorize Q2 as a quarter that reinforced the growth trajectory of our business, and quite frankly, it has us excited as we move into the second half. The revenue

growth is consistent. The bookings are at levels we haven't seen in many years. The backlog gives us real visibility, and the team is executing. That combination doesn't happen by accident. It happens when strategy, people, and execution align, and right now, they are aligned. I want to take a moment to recognize the RF Industries team across every segment and every function whose commitment and hard work made this quarter possible. They are the reason we are having this conversation today. And to our customers, your trust and partnership mean everything to us. We are confident in our ability to deliver results and unlock the full potential of our business. And I can't wait to share what the second half looks like. I will now turn the call over to Peter to walk through the financial results. Peter?

Peter Yin | Chief Financial Officer:

Thank you, Ray, and good afternoon, everyone. As you just heard from Rob and Ray, our team continued to deliver strong results in our fiscal second quarter. Sales increased 9% on both a year-over-year and sequential basis to $20.7 million. Gross profit margin increased 360 basis points to 35.1% from 31.5% year over year. The improvement reflected our team's strong execution to drive new business with price realization, along with operational efficiencies focusing on cost control. We have long believed our business carries significant operating leverage above $20 million in quarterly revenue, and our Q2 results reflected exactly that. Second quarter operating income was $1.1 million, a significant improvement from the $106,000 we reported last year. Consolidated net income was $879,000, or $0.08 per diluted year. On a non-GAAP basis, net income was $1.6 million, or $0.14 per diluted year. This compares to a consolidated net loss of $245,000 or 2 cents per diluted share and non-GAAP net income of $701,000 or 7 cents per diluted share in Q2 fiscal 2025. Second quarter adjusted EBITDA was $2 million compared to adjusted EBITDA of $1.1 million in Q2 2025. Moving to the balance sheet, as of April 30th, We had a total of $3.4 million of cash and cash equivalent, and we had working capital of $16.5 million and a current ratio of approximately 1.9 to 1, with current assets of $35.1 million and current liabilities of $18.6 million. At our second quarter end, we had $6.1 million outstanding on our revolving credit facility. We continue to actively manage working capital to strengthen our liquidity and overall capital position. As we continue to generate positive cash flow, we expect to reduce net debt to a level we view as immaterial relative to our balance sheet. Our inventory was $14.4 million, up from $12.6 million last year. We continue to monitor inventory levels closely And we have a prudent approach to inventory management that balances discipline with customer demand. Inventory levels may fluctuate quarter to quarter based on timing of inventory received relative to expected shipments and any delays. Moving on to our backlog, bookings for the second quarter were $26.3 million, up $8.4 million versus the previous quarter. driving backlog to $20 million as of April 30th, a $5.6 million increase quarter over quarter. As of today, our backlog currently stands at $20.1 million. As always, backlog can fluctuate based on order timing and fulfillment, but we view the increase as a strong indicator of second half momentum. Overall, our first half results reinforce the confidence we have in our business model and the operating leverage we are now realizing above $20 million in sales. With bookings accelerating and backlog building as we enter the second half of our fiscal year, we believe the margin and earnings trajectory we demonstrated in Q2 is sustainable, and we are committed to delivering continued growth and shareholder value going forward. With that, I'll open up the call for your questions.

Conference Operator | Operator:

Thank you. At this time, we will be conducting a question and answer session. 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. Once again, please press star 1 if you have a question or a comment. The first question comes from Josh Nichols with B. Riley. Please proceed.

Matthew (for Josh Nichols) | Analyst, B. Riley Securities:

Hi, this is Matthew. I'm for Josh. Thanks for taking my questions. I guess just to start off on the custom cabling side, it's basically now your largest product line. I'm wondering, like, is this the new shape of the business or do you expect integrated systems to come back and rebalance the mix?

Rob Dawson | Chief Executive Officer:

Yeah. Hey, Matthew, thanks for the question. So, look, we're really happy with the way custom cabling is performing. The team's doing amazing work, both with existing long-term customers and with new that we've acquired. I think when you look at the sort of the breakdown of the quarter from a product set, integrated systems underperformed sort of our expectations in Q2. Largely to my comments, just based on in the small cell world, we had some things that We expected would have been a little, would have had more shipments in the quarter, and some of those got pushed out to later in the year. So I think we expect integrated systems is going to, you know, continue to grow for us and be a nice growth part of the business. That's not taking anything away from how great the custom cabling business is and can also be a growth engine. I mean, I think that's kind of all along is, you know, to Ray's comments. we've tried to diversify in such a way that not every quarter is going to look exactly the same from a, you know, largest customer or two perspective, nor from a sort of a product makeup where we're enjoying the fact that, you know, the Pistons are kind of firing in all different places and we're seeing that diversity hit.

Matthew (for Josh Nichols) | Analyst, B. Riley Securities:

Got it. And on that significant customer side, I mean, you have a large A&D customer that's been making up 10% of revenue since last quarter, you know, around like 14% now. I'm just wondering, how do you expect that ramp continuing through, I guess, like the fiscal third quarter and like, where does that run rate land realistically from here?

Rob Dawson | Chief Executive Officer:

Yeah, I think it's, you know, look, it's a still somewhat newly acquired customer. That was last year we started doing material levels of business, um, with the aerospace customer in particular, and we're pleased with that relationship. We seem to be performing really well for them. We've been working on unique designs specifically with them. That's the kind of business we do in our custom cabling product areas. Our expectation is that we're going to continue performing at solid levels there. It's not something we spend a lot of time trying to predict because it is really based on their schedule of need. But as long as we keep performing, we feel like it'll be a consistent part of our business.

Matthew (for Josh Nichols) | Analyst, B. Riley Securities:

Got it. Thanks. And I guess it's shifting over, you know, DAC seems like a long, long-term strong growth driver. And I guess maybe you can, you mentioned this a bit in the call, but I'm wondering if you can expand more on like how on liquid cooling and thermal cooling and how the DAC solution kind of factors into that. data centers and the AI infrastructure play in general? And I guess just kind of following on that is just in terms of like how the data center and AI infrastructure opportunity looks today and how that can change over the next 12 to four months for you guys.

Rob Dawson | Chief Executive Officer:

Yeah, sure. So look, we think our DAC Our specific DAC solution is a really, really strong entry into the market in the last few years for edge data center applications. And to my comment, this is not the hyperscale 100,000 foot or larger huge data centers that are a big topic at the moment. As more of those continue to get installed, they're also finding, you know, the people installing those, you know, that equipment and those networks are finding that they need to push equipment closer to the users. And so that's the play we've been involved in for some period of time, starting with the wireless carrier ecosystem where we have, you know, we're entrenched, we know the people, we have agreements. That's sort of where we started getting our first wins, and that's now starting to expand into folks that I would call more traditional data center players both wireline and really the data center names that we talk about all the time in the news. So for us, it's focusing on those edge deployments. There's been a lot of chatter lately of certain municipalities and states coming out with rulings saying, hey, you can't build a data center here. As those large data centers get deferred or pushed maybe to a location that wasn't in the plan, We think the edge of the network is a great place to be. And so when you look at those buildings, cabinets, and enclosures that exist currently or that are being installed, they're less obtrusive. They may not have equipment in them today, but they're going to need to. That's a place that our DAC systems really can benefit, both from a functionality perspective, but also just from a cost efficiency perspective. We have the data that shows we're up to 75% more cost-effective than traditional HVAC deployments in those kinds of environments. So we feel good about it. We think there's a nice growth trajectory ahead of us in that one to two years and beyond. We also see opportunities to reinvent what we're putting out there in the market today, related products and then upgrades to the things that we have today. It's really becoming a, you know, a workhorse and a nice growth trajectory from a few years ago where we were seeing, you know, minimal of any contribution from those product lines to what we're now seeing today.

Matthew (for Josh Nichols) | Analyst, B. Riley Securities:

Got it. Really insightful. I guess just final question for me, mainly on working capital and free cash flow. Looks like working capital absorbed some cash in the first half. I'm just wondering how we should think about those drivers changing in the second half, and I guess free cash flow conversion in general.

Peter Yin | Chief Financial Officer:

Yeah, thanks for the question. So as you saw, their cash came down a bit. That was to pay the line down, right, helping us with the interest expense line there. So as we continue, if you kind of exclude that, it's positive cash flow. But we plan on utilizing the cash to pay down the line closer to that minimum balance. And from there, we should start seeing kind of cash bill.

Matthew (for Josh Nichols) | Analyst, B. Riley Securities:

Got it. That was all for me. Thanks for taking my questions. Thanks, Matthew.

Conference Operator | Operator:

If there are any remaining questions, please indicate so by pressing star 1 on your touchtone phone. Okay, we currently have no further questions in the queue. I'd like to turn the floor back over to Robert Dawson for closing remarks.

Rob Dawson | Chief Executive Officer:

Thank you, John, and thanks, everyone, for joining us today. We appreciate your continued interest and support of RF Industries, and we look forward to sharing our third quarter results in September. Have a great day.

Conference Operator | Operator:

This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.