

# NASDAQ:SKYT Q3 2025 Earnings Call Transcript

Generated on 6/10/2026

## **Operator | Conference Operator:**

Speaker's remarks, there will be a question and answer session. If you would like to ask a question during this time, simply press star followed by the number one on your telephone keypad. If you would like to withdraw your question, press star one again. We ask that the callers limit themselves to one question and one follow-up only. Thank you. I would now like to turn the conference over to Claire McAdams, Head of Investor Relations. You may begin.

## **Claire McAdams | Head of Investor Relations:**

Thank you, Operator. Good afternoon, and welcome to Skywater's third quarter 2025 conference call. With me on the call today from Skywater are Thomas Sonderman, Chief Executive Officer, and Steve Manco, Chief Financial Officer. I'd like to remind you that our call is being webcast live on Skywater's Investor Relations website at [ir.skywatertechnology.com](http://ir.skywatertechnology.com). The webcast will be available for replay shortly after the call concludes. On the events page of our IR website, we have posted a slide presentation that accompanies today's call. Also posted is our financial supplement, which summarizes our quarterly and annual financial results for the last three years, including all non-GAAP adjustments and comparisons to our GAAP results, as well as the impact of tool sales on our gross margins. During the call, any statements made about our future financial results and business are forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially. For discussion of these risks and uncertainties, please refer to our filings with the Securities and Exchange Commission, including our earnings release files on Form 8K today and our fiscal 2024 Form 10K. All forward-looking statements are made as of today, and we assume no obligation to update any such statements. During this call, we will discuss non-GAAP financial measures. You can find the reconciliation of these non-GAAP financial measures to GAAP financial measures in our earnings release, our financial supplement, and in our Q3 earnings presentation, all three of which are posted on our investor relations website. Our upcoming investor conferences include the New York CEO Summit on December 16th and the Medium Growth Conference in January. We are also pleased to announce that Skywater will hold its first Investor and Analyst Day on March 24th in New York City at NASDAQ's market site. Please feel free to contact me directly for any investor follow-up requests. And with that, I'll turn over the call to Tom.

## **Thomas Sonderman | Chief Executive Officer:**

Thank you, Claire, and good afternoon to everyone on the call. We are pleased to report today third quarter results which exceeded our expectations across all metrics. Record Q3 revenues of nearly \$151 million came in more than \$9 million above the high end of the range provided last quarter. The majority of the upside was related to purchase accounting for Fab 25's revenue in Texas and ATS revenues for the quarter coming in above the high end of our expectations at over \$54 million. The stronger performance for ATS reflects the timing of program execution within the quarter as we recorded approximately \$4 million of A&D business we had previously expected to recognize in the fourth quarter. We also reported our strongest ever quarter for quantum computing related revenue, positioning Skywater to exceed 30% revenue growth with our quantum customers in fiscal 2025. With quantum momentum continuing to build since last quarter, today we are very pleased to announce that we have signed four new quantum customer engagements since Q2, which I'll discuss in a moment. Rounding out our recap of Q3, our stronger than expected profitability at both the gross and operating levels reflect the fact that the majority of revenue upside in the quarter flowed directly to gross

profit, which likewise led to significant outperformance in Q3's adjusted EBITDA and net earnings relative to our earlier expectations. This outperformance has established a high bar for Skywater as we exit 2025 and begin to articulate our expectations for the coming year. So I'll take a few moments now to discuss our visibility and growth objectives in each of our businesses as we look ahead towards the next several quarters. First, I'll discuss the environment for our ATS business, starting with aerospace and defense. You may recall that in August, we took a conservative view regarding the timing of releases for various DoD program funding. Our ATS business is largely driven by several strategic multi-year development programs with government, and they have invested hundreds of millions of dollars in Skywater's capabilities and capacity in support of securing trusted domestic foundry supply for critical new semiconductor platforms that are fully aligned with each of our nation's most critical aerospace and defense initiatives. Given the roughly \$4 million pull-in of ATS revenue in Q3, in addition to the continued stagnation of progress exacerbated by the shutdown of the U.S. government, we now expect Q4 ATS revenues of approximately \$50 million. On the whole, our previous outlook of around \$105 million of ATS revenues for the second half of fiscal 25 is largely unchanged since our last earnings call. Turning now to our progress in the quantum computing market, which continues to be one of the most exciting and fastest growing parts of our business. Quantum computing is a strategically important end market for Skywater, and our investments are enabling us to play a central role as this industry transitions from research to scalable manufacturing. Over the past quarter, we've witnessed a significant increase in both activity and investment across the quantum ecosystem. Several well-known players have announced large funding rounds, underscoring growing global confidence in the commercial potential of quantum computing. These investments, now tallied in the multi-billion dollar range, validate this expanding opportunity and reinforce the essential role that trusted U.S.-based semiconductor manufacturing partners like Skywater Play in bringing quantum technologies to market. Within our own portfolio, today we are at liberty to name two of our four new quantum customers, Silicon Quantum Computing, our SQC, and QuantCore. SQC is the pioneer of a unique silicon-based spin-qubit approach using atomic-level precision to place individual phosphorus atoms in isotopically pure silicon. Their platform is highly compatible with existing CMOS processes, which makes Skywater's U.S. manufacturing capability a natural fit for scaling their technologies. Our new engagement with SQC launched in Q3 and is expected to contribute strong quantum-related revenue growth for our skywater in the coming year. QAMCOR, by contrast, has a differing approach in that they are developing a superconducting quantum processor built for massive integration, targeting one million qubits and a single cryogenic system. Their approach focuses on architectural scalability and advanced interconnect design, two areas where Skywater's digital logic expertise adds significant value. QAMCOR is also one of several quantum companies completing successful funding rounds this year. These programs are great examples of how our technology as a service model enables very different quantum architectures to develop and iterate quickly from early prototyping through production scale readiness. They also demonstrate the non-recurring engineering revenue we are capitalizing on today during process development, while also positioning us for future wafer production as these customers commercialize their technologies. In addition to SQC and QAMCOR, two additional well-funded quantum customers kicked off new ATS programs with Skywater this past quarter, bringing our total number of active commercial quantum customers to seven. Collectively, these programs span multiple modalities from spin-based and superconducting to photonic and other architectures, a testament to both the breadth of our support for multiple architectures and the adaptability of our engineering team and unique business model. We believe the future of quantum computing will not be defined by a single winning technology. Just as classical computing evolved into a diverse landscape of CPUs, GPUs, FPGAs, and custom accelerators optimized for different workloads, we expect Quantum to follow a similar path, where different modalities specialize around unique application requirements. We believe our diversified customer base across multiple architectures positions Skywater to succeed no matter which technology leads in commercial adoption. As mentioned earlier, our successes year-to-date position Skywater to exceed 30% growth in quantum-related ATS revenues for fiscal 2025, and with our current visibility, we expect quantum revenues could grow at a similar level in 2026, driven by new customer onboarding and program growth. While quantum today is a modest component of our overall revenue, it is our fastest-growing category and a key contributor to our longer-term financial targets. We expect this segment will be a highlight of our upcoming analyst day in early 2026, at which time we expect to discuss our long-range expectations for each of our primary served markets. With

our trusted U.S. manufacturing platform, flexible process technologies, and deep collaborative partnerships, Skywater is increasingly being recognized as the quantum foundry and a cornerstone of U.S. innovation infrastructure. turning to our first full quarter of our newly acquired Fab 25 operations in Texas. Since first announcing this acquisition in February, we have been consistent in our expectations of strong revenue and adjusted EBITDA contributions from Texas, roughly doubling the scale of our overall business and providing strong free cash flow from the outset. Our Texas operations contributed nearly \$87 million of wafer services revenue for the third quarter, well ahead of expectations, primarily due to a higher level of work and process wafers during the immediate post-acquisition phase and various purchase accounting determinations. While we expect wafer services volumes in Texas will normalize as we move into 2026, on the whole, today we are pleased to share that the expected ongoing financial contribution from FAB25 is more favorable than we originally forecast. As a reminder, FAB25 brings a number of significant benefits to Skywater, not just financially, but strategically. Skywater is now the largest exclusively U.S.-based pure play foundry service provider in the nation. While we initiated this acquisition well before the launch of increasingly proactive tariff strategies, The continued evolution of U.S. policy regarding the critical importance of domestic semiconductor production have only amplified the strategic benefits of the acquisition. The addition of Fab 25 has significantly strengthened Skywater's competitive position. Our Texas operations expands scale, diversify our customer and technology mix, and add advanced manufacturing capabilities that complement our Minnesota and Florida facilities. Fab 25 enhances our ability to meet growing customer demand for secure U.S.-based semiconductor production while improving overall efficiency and capacity utilization. We believe these advantages position Skywater to capture new opportunities in key markets, including automotive and industrial, and to drive continued growth through our technology-as-a-service model. Before discussing our outlook, I will turn briefly to our Florida operations. It was early 2024 when we announced a major \$120 million program award to expand our advanced packaging platform in Florida. Since last year's announcement, the vast majority of the program focus has been dedicated to bringing in the new tooling and capabilities to complete the facilitation of our wafer-level fan-off platform in Florida. With tool installs ramping in Q4, we expect our Florida operations will contribute a greater level of ATS revenues over the next couple of quarters as we prepare for initial customer prototypes. With the majority of tool installations expected to be completed by the end of the first quarter, our current ramp plans anticipate running customer prototypes through the Florida FAB by the second half of next year. There is growing demand within the defense and industrial base for system integration to improve size, weight, and power efficiency. As advanced wafer manufacturing ramps onshore, advanced packaging capabilities are required to support these products. The global advanced packaging market, estimated by your research to reach nearly \$80 billion by 2030, supports a broad range of applications, including high-performance systems and automotive, IoT, 5G, AI, and edge computing. Furthermore, quantum computing is driving the need for more complete solutions to increase qubit density and enable capabilities such as integrated photonics. As we look across our business, it's important to pause and reflect on the broader mission driving everything we do. For decades, the U.S. has allowed much of its semiconductor manufacturing capability to move offshore. Today, most of the world's microelectronics are produced in Asia. Approximately half of the foundational node devices used in our defense systems are built in China or Taiwan. and that dependence reaches deep into our power grid, healthcare, and transportation networks. We are now working to claw this back because semiconductors have become the steel of the modern age. If you can't make your own chips, you're dependent on others for the technologies that power your economy, your security, and your future. Skywater was built to change that as a catalyst to restore domestic capability to secure trusted production and to rebuild the innovation engine that defines America's strength. We believe advanced packaging gives us an opportunity not just to rebuild but to leap ahead, to define the next chapter of leadership as the industry moves towards new system architectures and heterogeneous integration. Our Florida operations, together with our foundries in Minnesota and Texas, are creating complete onshore solutions that combine flexibility, speed, and trust, precisely what our customers need to design, prototype, and scale the technologies that will shape the future. And while we rebuild strength in today's technologies, we are also standing at the threshold of what comes next, quantum, a new computing paradigm with the power to transform science, industry, and defense in ways we can't yet fully imagine. It's essential that the United States lead in this field, and that leadership begins by ensuring quantum hardware is built here at home. Our customers across defense, industrial, and emerging technology

markets are leading that charge. They turn to Skywater because they need a partner who can innovate with them, move quickly, and manufacture securely on U.S. soil. And that's what it means to be America's Foundry, a homegrown company free of foreign control, working shoulder to shoulder with our customers to rebuild what was created here decades ago, and to ensure that America remains the place where the world's most important technologies are born, built, and launched. Which brings us to our outlook. First, specific to Q4, Given the government budget dynamics discussed earlier, we expect the decline in A&D-related ATS revenues to more than offset the strength in quantum and advanced packaging, resulting in a modest sequential decline in ATS revenues expected for the fourth quarter. Our second half ATS revenue forecast remains largely unchanged since last quarter. Q4 wafer services revenue is expected to continue at roughly the same level as Q3, reflecting the continued elevated WIP in Texas and expected sequential growth in Minnesota. We also expect tools revenue to increase to the \$17 to \$18 million range for an expectation of total Q4 revenues to reach a new record between \$155 and \$165 million. With the gross profit and adjusted EBITDA contributions from our Texas operations now expected to exceed prior estimates, we also expect to deliver upside to our prior profitability expectations for the fourth quarter, which Steve will detail in a few moments. Importantly, our continued momentum in quantum computing with four new customer engagements initiated since the second quarter, along with the initial ramp of ATS revenues in Florida, and a more favorable financial contribution from Texas enables us today to express strong confidence that our initial baseline expectations of at least \$600 million of revenue and at least \$60 million of adjusted EBITDA in 2026 will prove to be conservative. We look forward to providing official 2026 guidance when we report our Q4 and fiscal year 2025 results in February. With that, I'll turn it over to Steve for his prepared remarks.

### **Steve Manco | Chief Financial Officer:**

Thank you, Tom. Record third quarter revenue of \$150.7 million exceeded the midpoint of our guidance range by \$15 million. Within our ATS business, the timing of program execution within the quarter resulted in a revenue pull-in from Q4 of approximately \$4 million in A&D revenues. Texas wafer services revenue of nearly \$87 million was \$9 million above the midpoint of our expectations entering the quarter. As a reminder, various purchased accounting items were still in process at the time of our Q2 earnings call, and our Q3 results reflect an off-market component of the supply agreement that is approximately \$5 million higher than initially forecast. The remaining \$4 million of revenue upside from Texas reflects additional revenue generated from work completed in third quarter on the higher level of work and process wafers during the immediate post-acquisition phase, which we expect to normalize as we move into 2026. Nearly all of the revenue upside recorded for Q3 flow directly to gross profit without offsetting costs, evident in our reported Q3 gross margin of 24.6%. Of the \$20 million of gross profit upside recorded in the quarter, We currently estimate approximately \$8 million of this benefit to continue into the fourth quarter, after which we expect Texas WIPP levels to normalize, resulting in a net ongoing gross profit upside from Texas of approximately \$5 million per quarter compared to our earlier estimates. A portion of the now more favorable gross margin profile for Texas is due to a reallocation from cost of revenue to operating expense of approximately \$2 million. The remaining gross profit upside we consider unique to Q3, or roughly \$12 million, reflects the pure profit revenue upside recognized in the quarter and approximately \$5 million of non-recurring cost savings. These include favorability and warranty expense, where we reversed accruals due to a higher yield quality, a reduction in our FTI accrual, and lower than expected tariff exposure. Altogether, both the recurring and one-time benefits to gross margin benefited our adjusted EBITDA for the quarter, which at \$25.8 million, well exceeded the expected range of \$10 to \$12 million for Q3. Turning to operating expenses, total operating expenses of \$23.5 million exceeded the midpoint of our expectations by \$4.5 million, reflecting the \$2 million reclass from cost of revenue to SG&A, as well as a higher level of incremental ongoing overhead costs related to roughly doubling the scale of our business. These expenses included higher costs for insurance, audit, HR, and intercompany expenses incurred since acquiring Fab 25. Our expectation today is that our quarterly OpEx run rate will continue at around the same level as we move into 2026. Given the more attractive gross margin profile now expected for Texas, The net impact on our expected operating income and adjusted EBITDA generation from Texas is modestly more positive than we expected a quarter ago. Moving to tax. During the third quarter, it

was determined that the financial impacts related to our acquisition of Fab 25 will enable us to use our deferred tax assets. As a result, our total GAAP tax benefit of \$31.8 million in Q3 includes a \$27.5 million non-cash tax benefit reflecting the reversal of our deferred tax asset valuation allowance. The net difference of \$4.3 million represents the deferred tax assets actually recognized in the quarter equivalent to \$0.09 per share. The resulting earnings per share for the quarter was \$0.24. Now turning to the balance sheet. Total debt outstanding at the end of the third quarter was \$184 million, an increase of \$118 million from Q2, reflecting the borrowing from our new debt facility to fund the Fab 25 purchase price, plus working capital, as well as all transaction and closing costs. The total addition to PP&E for the quarter was \$356 million, reflecting the fair market value assessment for Fab 25. Negative cash outflow from operations primarily reflects the significant increase in accounts receivable during the quarter, and we expect the combined business to be regularly cash flow positive outside of significant working capital changes. Capital expenditures were less than \$2 million in Q3, and we ended the quarter with \$31 million in cash. Turning to our guidance for Q4, beginning with our Texas operations. Given the higher level of WIPP inventory moving through the FAB during the post-acquisition time period, we currently expect Texas revenues will continue and an elevated run rate of approximately \$84 to \$88 million for the fourth quarter, before normalizing in the low \$80 million range as we move into next year. Also reflected in our Q4 guidance range of \$155 to \$165 million of total revenues are ATS revenues of \$48 to \$52 million, Minnesota wafer services revenues of \$6 to \$7 million, and tools revenue of \$17 to \$18 million. These ranges are aligned with our earlier expectations for second half ATF's revenues nearing \$105 million in a sequentially stronger Q4 for our wafer services business in Minnesota. The change in total tool revenue for the full year, now estimated at \$23 to \$24 million, reflects our expectation that one tool will push to 2026. We now expect stronger overall gross margin performance for the fourth quarter compared to our previous expectations as a result of a more favorable gross margin profile for our Texas operations. We expect consolidated Q4 gross margin in the range of 17 to 20%, reflecting an estimated 200 basis point negative impact from tools in the quarter. We expect operating expenses to continue in the range of \$23 to \$24 million, net interest expense of approximately \$5.5 million, a tax provision of approximately \$500,000, and \$1 million of VIE. The resulting EPS guidance range for the fourth quarter is a loss of \$0.08 per share to net income of \$0.04 per share. Within these ranges, our expectations for adjusted EBITDA in the fourth quarter is in the range of \$16 million to \$22 million. I'll add an additional note here regarding a potential tools charge in Q4 that is not reflected in our guidance. Our current estimate of the actual total cost of procuring and installing all of the tooling in Florida currently exceeds the original program award estimate by approximately \$5 million as a result of inflation-related cost charges. If we are unsuccessful in securing additional funding to cover these additional costs, we may record a net loss on tools for the fourth quarter. As we look toward the coming year, we are increasingly confident that the initial baseline expectations for our revenue, gross margin, and adjusted EBITDA performance over the coming year will prove to be conservative. We expect to provide 2026 guidance on our Q4 call in February. In the meantime, on today's call, we have updated certain ongoing changes, namely a roughly 200 basis point improvement in gross margin generation or mid to upper teens from mid-teens previously, as well as higher OpEx quarterly run rate, now expected to be in the \$23 to \$24 million range. And with that, I'll turn the call over to Q&A. Operator, please open the line for questions.

### **Operator | Conference Operator:**

At this time, I would like to remind everyone, if you would like to ask a question, please press star 1 on your telephone keypad. Your first question comes from the line of Brian Shin with Stiefel. You may go ahead.

### **Brian Shin | Analyst, Stiefel:**

Hi there. Good afternoon, and thanks for letting us ask a couple questions, and congratulations on the good results here. Maybe to start with, the fourth quarter non-GAAP gross margin of 17% to 20%, understanding that there's like a 200 basis point impact from the tools revenue in the quarter, is that comparable? That's comparable to the prior 12% to 15%, right? And can you kind of flesh out what X tool revenue, what the kind

of normalized gross margin kind of would be into kind of Q1? This is the same kind of concept revenue into Q1. And can you also further explain, I think I heard something about Some revenue was recognized at 100% gross profit during 3Q. If you could just kind of unpack some of those gross margin questions, that would be helpful. Yeah, sounds good.

**Steve Manco | Chief Financial Officer:**

Good evening, Brian. In the third quarter, we had a couple items taking place. We had some revenue that passed through that was really almost 100% profit coming through the gross margin line, number one. Number two, we had a couple items that all went in the positive direction on the cost side. So we had a lower than expected warranty accrual given the higher yields in the third quarter. We did a reversal of our STI accrual that was accrued for the first part of the year in the third quarter. And there were some lower expenses that took place in Texas that I want to make sure that we have consistency with that in the quarters to come before we really take credit for that as part of our long-term model. So those were the three or four pieces that all went in the positive direction to really help us have a higher than expected gross margin for the third quarter. Now, that being the case, we think that we gave the range of 17% to 20% for the fourth quarter on the non-GAAP gross margin, and then we concluded the call by saying that going into 2026, we have upped our gross margin expectations from what we talked about about 90 days ago, and that would be the mid to upper teams for next year. Again, with that, we'll have some of the costs coming back in, the STI accruals that were reversed this quarter. We would have the accruals for going forward. And while we did have some savings in the gross margin, we also did have a higher level of OPEX in the Texas operations as well.

**Brian Shin | Analyst, Stiefel:**

Great. Appreciate that. And maybe for my follow-up question, a very strong update in terms of the new quantum customers that you signed up during the quarter. And if I heard correctly, you expect to sustain maybe a revenue CAGR in that segment at above 30% next year. I guess maybe one question. Is that higher than when you originally kind of set that \$600 million revenue forecast for next year? And I'm just curious, in ATS, quantum compute revenue stream with the new customer contracts, is that typically kind of corporate average profitability or is that sometimes higher than average for APS?

**Thomas Sonderman | Chief Executive Officer:**

Yeah, I would say the 30% growth we've been talking about this year, we kind of believed this was going to be a strong year for quantum and that is proving to be true. We expect next year to continue at a similar pace, a 30% like number. As far as the details around each specific contract and the profitability, we don't get into that granularity. But the idea of our ATS model being very much aligned with what our customers are looking for as they try to innovate in this space, I think, bodes well for not just the existing seven customers, but the opportunity to bring in more into our quantum ecosystems.

**Operator | Conference Operator:**

Your next question comes from the line of Richard Shannon with Craig Halliams Capital Group. You may go ahead.

**Richard Shannon | Analyst, Craig Halliams Capital Group:**

Well, thanks, guys. Hopefully you can hear me. I apologize for the ambient noise. I'm in a cab getting to the airport here. Maybe just a couple of very quick questions here. The first one I have is really just to make sure I understand the dynamics under which you're talking about your prior guidance for next year of \$600 million revenue, \$60 million EBITDA that could prove conservative. What if you can lay out the dynamics that are allowing you to do that? I think from the last answers to previous questions, you alluded to that on the margin side, but maybe you could also lay that out on the revenue side as well.

**Thomas Sonderman | Chief Executive Officer:**

Yeah, I mean, I think, you know, we, back in August, right after the acquisition closed, we laid out, you know, the marker of \$600 million and 10% or \$60 million in adjusted EBITDA. And obviously, this quarter and next quarter, we feel like we're going to run a little bit ahead of the take or pay agreement. As we took over the facility, we did have more whip in the fab than we anticipated, and so that's allowing us to run hot. As we enter 2026, we believe, you know, based on the take or pay, that an 80 million per quarter run rate is kind of a good baseline. And when you couple that with the other dynamics in the business, you know, we're reinforcing the \$600 million number with a strong level of confidence, much stronger than we had back in August. But again, until we get better clarity on some other areas like the A&D side of the business, we're sticking with these numbers.

**Richard Shannon | Analyst, Craig Halliams Capital Group:**

Okay, fair enough. Thanks for that, Tom. And my follow-on question is related to quantum. Great to see some more customers coming in here, and Tom, I noted your comments about supporting a breadth of different modalities, which is quite interesting here. I may have missed the comments you made later in your prepared remarks about related to packaging here, but I'm going to tie it to your question, which is, to what degree is there value in having and being able to support more than one modality, even for a singular product? quantum customer, and to what degree does also packaging help you to acquire those customers? Thank you.

**Thomas Sonderman | Chief Executive Officer:**

Yeah, so I think, again, the fact that we can operate within different modalities means that we can attract really all types of quantum customers. And whether it's for the quantum processing unit, for the peripheral circuitry, for the interposers, the superconducting interposers that many are utilizing, they're all looking at different bonding technologies. These are very conducive to our virtual idea model where we not only do front end wafer fabrication, but also advanced packaging. And I think the fact that we are bringing the foundry model to this space is allowing these companies to focus on what they do best, which is building the quantum systems. We focus on what we do best, which is fabricating their solutions. And I believe that combination is going to allow the U.S. to run at a faster pace than anyone else in the world. And that's critical because quantum is really the next realm of advanced compute, and Skywater intends to be at the center of that with our quantum foundry model.

**Operator | Conference Operator:**

Your next question comes from the line of Quinn Bolton with Needham & Company. You may go ahead.

**Shadi Mewali | Analyst, Needham & Company:**

Hey, this is Shadi Mewali on for Quinn. Thanks for letting me ask a question and congrats on the solid execution. My first question is on Fab 25. It looks like the transition of ownership is going better than expected. So we're just curious on if we can get the puts and takes for the better performance here and maybe if there's anything that has surprised you guys in terms of running this new fab. Thank you.

**Thomas Sonderman | Chief Executive Officer:**

Yeah, so I think again, you know, The synergies that we're seeing as we integrate what we call our unified fab model between both the Austin and Minnesota operations, I think we're seeing immediate benefit with that. I think, as I alluded to, the fact the fab was full, Infineon was clearly running it with a lot of whip, and we've been able to benefit from that. That said, I think the fact that we were able to demonstrate this performance the first quarter of a full ownership of the facility bodes well for, you know, not only our ability to quickly integrate a fab of this size, but also the fact that it's very conducive to our model of, again, having not only a development capability in Minnesota, but a volume capability in Texas. And as we look across all the different synergies that you would naturally expect to have With two fabs running similar type technologies, I think we can expect, you know, to capture more and more of those synergies. And then it gives the backdrop of a strong take-or-pay agreement that basically insulates us for the next several years with any market dynamics. I think, you know, gives us a nice runway to begin to bring in additional non-Infinian capabilities as the take-or-pay contract is executed.

**Shadi Mewali | Analyst, Needham & Company:**

Great, great. That was very helpful. And then my follow-up is on quantum computing. Obviously Skywater is doing very well here and it's an important growth vector, but I just want to get some color on what Skywater views as the most important when bringing in view quantum computing customers to ATF and then ultimately converting them to wafer services revenue. Thank you.

**Thomas Sonderman | Chief Executive Officer:**

Yeah. So I think, you know, the first thing we look at is compatibility of our existing solutions with their needs. I think the fact that we have a CMOS foundation creates a lot of capability that is very attractive to Quantum customers. I believe the fact that we have advanced packaging that can be coupled with traditional front-end fabrication is very attractive. And when a customer comes in, because of our ATS model, we're able to apply resources quickly, and that allows them to move at a speed that they just wouldn't be able to do if they're working either in their own fab environment where they may not have the frequency of turns within the fab that we have, or they're working with some university lab or some other entity that just doesn't move at the speed of a foundry. And having capability coupled with a business model and a very strong technology team just makes it very easy for customers to choose to move into the FOMRI model versus other approaches. And I think we're going to continue to see that build out. I like to remind everyone that if you look at TSMC, what they're doing with AI, they're basically the fabricator for all the top AI companies. And Skywater intends to be exactly the same thing for all the quantum companies that are now emerging into the marketplace. We intend to be the quantum foundry. Our model is geared towards that. And it also bodes well for the U.S. because we want these technologies to not only be innovated in the U.S., but manufactured in the U.S.

## **Operator | Conference Operator:**

Your final question comes from the line of Chris Shanker with TD Securities. You may go ahead.

## **Robert Mertens | Analyst, TD Securities:**

Hi, this is Robert Mertens on the line for Krish. Thanks for taking my questions. I guess the first one, just circling back, could you talk us a little bit more through your thoughts on the current aerospace and defense environment? I know you spelled out some benefits you saw in the quarter in December being a little bit down sequentially because of this, but maybe just looking into next year, how you think projects or trending if they're stuck in a funding limbo, or have there been more commitments or indications that spending patterns might pick up above last year, 2024 levels?

## **Thomas Sonderman | Chief Executive Officer:**

Yeah, so I think, you know, as we said in our prepared remarks, the anticipation for the second half really hasn't changed. We did have a specific program where funding that we thought was going to occur in Q4 actually got accelerated into Q3. But other than that, it's pretty much the same as when we talked in August. I think, you know, the continuing resolution model is what we were operating under. Now the government shut down. I think, you know, the clarity in terms of what the world will look like when all this gets resolved is obviously something that we're looking forward to. But I will say, and it was in my prepared remarks, that the programs we're working on, the amount of investment that's been made in our Minnesota facility that's now being made in our Florida facility is all geared towards the A&D community embracing the Foundry model, much like we just talked about with Quantum. And the fact that government is looking for efficient ways to do things into the future, the fact that we're moving to drone-based solutions, which requires a lot more silicon semiconductors, I think positions Skywater very nicely for when all these, we'll call it dynamics, that are out of our control get resolved. We continue to make strong progress with our ThermoView platform, which we introduced in January. Continue to see good benefits out of that. We continue to make progress on our RadHeart platform. And again, as I stated, AP continues to move forward. All those are foundry-like platforms that the DoD community will leverage. And we also have our special ASIC business that we do with that community. So it's really just getting the uncertainty resolved around funding. And when that is completed, I believe we're going to be in a very good position for that portion of our business.

## **Robert Mertens | Analyst, TD Securities:**

Great. Thank you. That's very helpful. And then my other one was just around quantum computing, but I guess we've talked about that quite a bit. Just maybe, I know you have the technologies in supercomputing, photonics, but are there any sort of adjacent hardware technologies or areas such as Iron Trap that would benefit your business that you're looking to pursue? Or is it really more ramping current customers and onboarding additional ones with the technology in place?

## **Thomas Sonderman | Chief Executive Officer:**

Yeah, I mean, we really see ourselves operating, again, across all modalities. IONTRAP is included in that. And I think there's a whole set of opportunities that are evolving as customers come in. They engage the ability for us to play across that full spectrum. Again, not only allows us to earn ATS dollars as people are kind of determining exactly how they're going to create their end state solutions. But it also allows us to consolidate many of the value chains that they've already created because we have the advanced packaging capability. So when I look at quantum, again, it's a very early stage. Our goal is to be the quantum foundry. And the synergistic approach that we get by having a foundry model, I think, is clear. but we also have the

backdrop of being a trusted fabricator for the US government. And when a company comes into Skywater, they know that their IP will be protected. They know that all the same constraints that we apply to our DoD customers get applied to our Quantum customers and frankly, all of our customers. And that gives them confidence that they can innovate, they can be creative with their solutions, but also know that their IP will be protected. And over time, as we become the quantum foundry and these programs move from ideation to commercialization, we expect to be at the center of that. And in many ways, once you figure it out, we can just move faster than anyone else. And I think that's going to be a true advantage. Quantum is very much geared towards our technology as a service model, and we intend to leverage that going forward.

**Operator | Conference Operator:**

There are no further questions. I would like to turn the call back over to Thomas Saunderson for closing remarks.

**Thomas Sonderman | Chief Executive Officer:**

Thank you, operator. To close today's call, I want to convey the strong confidence we at Skywater have in executing towards our long-term growth and profitability goals and our commitment to building your confidence in us. We look forward to seeing you at our upcoming investor conferences ahead of our plan analyst day in New York in March. We'll report Q4 results in February. And with that, I'll conclude today's earnings call.

**Operator | Conference Operator:**

This concludes today's conference. You may disconnect.