NASDAQ:VICR Q4 2025 Earnings Call Transcript

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Operator | Conference Operator:

Good day, and thank you for standing by. Welcome to the VICOR 4th Quarter 2025 Earnings Conference Call. At this time, all participants are in listen-only mode. After the speaker's presentation, there will be a question and answer session. To ask a question during the session, you will need to press star 1-1 on your telephone. You will then hear an automated message advising your hand is raised. To withdraw your question, please press star 1-1 again. Please advise that today's conference is being recorded. I would like to hand the conference over to your first speaker today, Jim Smith. Chief Financial Officer, please go ahead.

Jim Smith | Chief Financial Officer:

Thank you. Good afternoon, and welcome to Bicorp Corporation's earnings call for the fourth quarter and year-ended, December 31, 2025. I'm Joe Schmidt, Chief Financial Officer, and I'm in Andover with Patricia Vinciarelli, Chief Executive Officer, and Phil Davies, Vice President of Global Sales and Marketing. After the markets closed today, we issued a first release summarizing the financial results for the three-month and year-ending December 31st. This press release has been posted on the Investor Relations page of our website, www.vicorpowers.com. We also filed a Form 8-K today relating to the issuance of this press release. I remind listeners this conference call is being recorded and is the copyrighted property of Vicor Corporation. I also remind you various remarks we make during this call may constitute forward-looking statements purposes of the Safe Harbor provision under the Private Security and Litigation Reform Act of 1995. Except for historical information contained in this call and matters discussed on this call, including any statements regarding cons and planned products, potential customers, potential market opportunities, expected events and announcements, and our capacity expansion, as well as management's expectations for sales growth, spending, and profitability, are forward-looking statements involving risk and uncertainties. In light of these risks and uncertainties, we can offer no assurance that any forward-looking statement will, in fact, prove to be correct. Actual results may differ materially from those explicitly set forth in or implied by any of our remarks today. The risks and uncertainties we face are discussed in Item 1A, of our 2024 Fall 10-K, which we filed with the SEC on March 3, 2025. This document is available via the EDGAR system on the SEC's website. Please note the information provided during this conference call is accurate only as of today, Thursday, February 19, 2026. RICOR undertakes no obligation to update any statements, including forward-looking statements, made during this call and you should not rely upon such statements after the conclusion of this call. A webcast replay of today's call will be available shortly on the Investor Relations page of our website. I'll now turn to a review of our Q4 and full-year financial performance, after which Bill will review recent market developments, and Patricio, Bill, and I will take your questions. In my remarks, I will focus mostly on the sequential overly-changed P&L and balance sheet items as well as full year-on-year changes, and refer you to our press release for our upcoming Form 10-K for additional information. As stated in today's press release, NYCO recorded product revenue for the fourth quarter of $92.7 million, up 4.5% from the third quarter total of $88.7 million, and up 15.3% from the fourth quarter total of $80.4 million. Realty revenue for the fourth quarter totaled $14.5 million, a 33.1% decrease from $71.7 in the third quarter, and a 7.8% decrease from $15.8 million in the fourth quarter of 2024. The sequential decrease in realty revenue was the result of a catch-up amount that was included in the Q3 results. Product revenues for the year ended December 31, 2025 increased 12.1% to $350.3 million from $312.5 million for the prior year. Royalty revenue for the year ended December 31, 2025 totaled $57.4 million, a 23.2% increase from $46.6 million for the year ended December 31, 2024. Total product revenue and royalty revenue including a $45 million capital litigation settlement received for the year end of December 31, 2025, increased 26.1% to $452.7 million from $359.1 million for the prior year. Advanced product revenue, which includes royalty revenue, decreased 4.4%

sequentially, which was the result of the catch-up amount of royalty revenue in 2000. Brick products revenue declined 0.6% in the third quarter. Revenues for advanced products for the year ending 2025 increased 26% to $248.6 million and $197.3 million the year before. Revenues for brick products for the year ending 2025 decreased 1.6% to $159.1 million, $161.7 million the year before. Commits to stocking distributors decreased 11.1% but increased 5.3% year-over-year. Exports for the fourth quarter increased sequentially as a percentage of total revenue to approximately 49.3% from the prior quarter of 42.8%. On a year-over-year basis, exports increased as a percentage of total revenue to approximately 50.8% from the prior year of 48.2%. Q4, advanced product share total revenue, including royalty revenue, decreased to 58.1% compared to 59.2% for the third quarter, with peak product share correspondingly increasing to 48.6% of total revenue. Turning to Q4 gross margin, we recorded a consolidated gross profit margin of 55.4%, Approximately 2.1% less than the prior quarter as a result of the roll and catch up amount in Q3. For the full year 2025, gross margin rose by 6.1% to 57.3% from 51.2% in the prior year. I'll now turn to Q4 operating expense. Total operating expense increased 2.7% from the third quarter. For the full year 2025, total operating expenses, percent of revenue, and patent litigation settlement decreased to 39.2% from 51.6% in the prior year. The amounts of total equity-based compensation expense for Q4 included in cost of goods, SG&A, and R&D was $1,008,000, $2,206,000, and $1,153,000, respectively, totaling approximately $4.4 million. For Q4, we recorded operating income of $15.7 million, representing an operating margin of 14.6%. For the full year 2025, operating income totaled $81.8 million, or 18.1% of revenue in patent litigation settlement, compared to operating loss of $1.3 million, or minus 0.4% of revenue in the prior year. Turning to income taxes, He recorded a tax benefit in Q4 of approximately $27.3 million, representing an effective tax rate for the quarter of minus 142%. As a result of the tax benefit, there's a partial recognition of certain default tax assets in the period. The tax benefit for the full year 2025 was approximately $4 million, representing an effective tax rate for the year minus 25.4%. That income for Q3 totaled $46.5 million. That diluted earnings per share was $1.01. Based on a fully diluted share count of $46,297,000, for the full year 2025, that income increased to $118.6 million from $6.1 million of the prior year. In 2025, fully diluted earnings per share increased to $2.61. from 14 cents in the prior year. Turning to our cash flow and balance sheet, cash and cash equivalents totaled $402.8 million in Q4. Accounts receivable, net of reserves totaled $60.7 million in Q4. With DSOs for trade receivable was 84 days. Inventories, net of reserves decreased 1% sequentially to $91.3 million. Annualized inventory terms were approximately flat sequentially at 1.96. Operating cash flow totaled approximately $15.7 million per quarter. Capital expenditures were Q4 totaled $5.5 million. We ended the quarter with a construction in progress balance primarily for manufacturing equipment of approximately $7.8 million, with approximately $6.9 million remaining to be spent. I'll now address bookings and backlog. Q4 booked the bill, improving sequentially, came in well above one, and with one-year backlog increasing 15.8% from the prior quarter, closing at $176.9 million. 2026 is a year of great opportunity for Vicol. We are working to deliver on the opportunities. However, given that we cannot predict with certainty timing or amounts of outcomes relating to our licensing practice, we will not provide quarterly guidance. With that, Bill will provide an overview of the development and then Patricio, Bill and I will take your questions. I ask that you limit yourselves to one question and a related follow-up so that we can respond to as many of you as we can in the limited time available. If you have more than one topic to address, please get back in the queue.

Bill | Market Developments Presenter:

Thank you, Jim. At the beginning of 2025, we talked about the year ahead being one of challenges and opportunities. As we look back, 2025 met those expectations with improvements in product bookings and revenues in Q4 and our IP licensing practice becoming a major contributor to our top and bottom lines. As we exited 2025, the bill ratio increased over 1.2 in Q4 and has continued to increase in Q4. At the start of 2026, we can say that this will be a year of different challenges and greater opportunities. They should result in record bookings, revenues, and profitability, and significantly higher utilization of our first chip crab. As Patricio commented in today's press release, The United States International Trade Commission has instituted a second investigation into illegal importation of power modules and computing systems, infringing WICO's IP to non-isolated bus converters. By now, it should be clear that WICO will methodically and

relentlessly enforce its intellectual property to the many inventions it pioneered and that suppliers of infringing systems putting themselves and their customers at risk, including unlicensed OEMs and hyperscalers. Following the example set by licensed OEMs and hyperscalers, companies with an ethical backbone should do the right thing, avoiding infringement by taking a license to secure their supply chain. A lead customer for VPD solutions is ramping a Gen 4 factorized power system before transitioning to a Gen 5-based solution with higher current density and performance. This transition is expected to start in the second half of this year, while production of the Gen 4 system will continue to ramp at a steep rate at the end of 2026. Engagement with other Gen 5 VPD customers will be selective, as capacity in our existing first chip is getting earmarked for strategic customers, and additional capacity from our second chip cap may not be available until 2028. Our industrial and aerospace and defense business outlook for 2026 is strong, particularly in the automatic test equipment market, which is seeing substantial growth and projecting high growth for the next several years. Given our power density advantage, which is of paramount importance to our customers, I am confident that we can double the revenues in these markets over the next four to six years respectively. As we approach high utilization of our first chip lab, we are beginning to engage customers in capacity reservation agreements to secure their supply needs. While in the planning stages of a second chip lab to expand the market opportunity, we are having discussions with candidates an alternate source of high current density Gen5 VPD solution. An alternate source will give licensed OEMs and hyperscalers broader access to best-in-class power system technology. In view of these developments, we remain confident in our business strategy of innovation, customer focus, and market focus. With that, we'll now take your questions.

Operator | Conference Operator:

Thank you. At this time, we'll conduct a question and answer session. As a reminder to ask a question, you'll need to press star 1-1 on your telephone and wait for your name to be announced. To withdraw your question, please press star 1-1 again. Please stand by while we compile the Q&A roster. And our first question comes from the line of Gwen Bolton of Needham & Company. Your line is now open.

Gwen Bolton | Analyst, Needham & Company:

Hey, guys. Congratulations on 2025 and the record outlook for 2026. Patricio or Phil, I wanted to start with your lead customer. It sounds like you're seeing a pretty strong ramp from that customer, and you mentioned that Andover is getting filled. Can you talk, is Andover being filled largely from your lead customer, or do you have other significant Gen 4, Gen 5 customers customers that are contributing to that growing utilization in the Andover facility?

Patricia Vinciarelli | Chief Executive Officer:

It's a combination of demand, increasing demand on a number of fronts. Not just hand computing, where there is a multiplicity of factors at play with respect to increasing demand on capacity. but also in test equipment, as Phil mentioned in his remarks, and some of the other animals.

Gwen Bolton | Analyst, Needham & Company:

Got it. Okay. Thank you. And then I guess maybe follow up on the IP licensing in the press release. You talked about seeing record revenue from the IP licensing business this year. Just wanted to clarify, does that include or exclude the $45 million patent litigation settlement that was part of the 2025 revenue stream as we think about 2026?

Patricia Vinciarelli | Chief Executive Officer:

We see our licensing business expanding. As Jim suggested earlier, the timing of elements contributing to the expansion is somewhat unpredictable, but as we look at the predicament that OEMs and hyperscalers face in terms of potential exclusion orders, we see a major opportunity for us to grow our licensing business considerably. As we have discussed in our last quarterly call, we see that business expanding greatly in the last couple of years. I think what has transpired since then suggests that those are conservative estimates.

Jim Smith | Chief Financial Officer:

And, Quinn, just to clarify the number for you, the royalty revenue I quoted in my prepared remarks of $57.4 million in 2025 does not include that litigation settlement. That's royalty revenue. It was up 23.2% from $46.6 million in 2025.

Gwen Bolton | Analyst, Needham & Company:

Just to clarify, Jim, when the comment in the press release about the business, the licensing business will expand, are you looking at the 57.4 as the 2025 base, or should we be thinking about that base being $102 million, which would include that $45 million patent settlement as part of the base?

Patricia Vinciarelli | Chief Executive Officer:

So for one thing, there's going to be more patent settlements. And for another, the one patent settlement from last year, in terms of the outlook for licensing business, it doesn't really make a substantial difference with respect to the upside with respect to this part of our business. We expect hundreds of millions of dollars worth of revenues from . And the 47 million event last year is, in hindsight, going to be rather up in the bucket, to be sure, but not over significant. Understood. Okay. Thank you.

Operator | Conference Operator:

Thank you. One moment for our next question. And our next question comes from the line of John Teng-Wen Tang of CGA Securities. The line is now open.

John Teng-Wen Tang | Analyst, CGA Securities:

Hi, thank you for taking my questions, and also congratulations on a good year. I was wondering if you could give us a little bit more detail on the launch customer for VPT. You mentioned that they were going with a Gen 4 product. Could you talk about the decision that went into that and why they aren't starting with Gen 5 and kind of how that happened?

Patricia Vinciarelli | Chief Executive Officer:

Well, so the Gen 4 system is mature. It's one that's got a track record of of success that is expanding in terms of its opportunity in order to get to the next generation system, mature design, mature system. It's not just the power systems, the system as a whole needs to come to fruition. It isn't quite there yet. It will be there soon. and that will lead to the next set of opportunities. But to be clear, with our lead customer, we're seeing a significant share of our capacity being utilized as we get towards the end of this year on the earlier generation system. And the next generation system will provide an additional layer of user capacity as we get into next year.

John Teng-Wen Tang | Analyst, CGA Securities:

Understood. Thank you. And then when you start, sorry, you're considering a new facility. I was just wondering if you're planning to build that yourself or you're still planning to work with partners to do that perhaps in a capital-like fashion. And, you know, just wondering what kind of capacity a new facility would have.

Patricia Vinciarelli | Chief Executive Officer:

So we've made two offers on, you know, area where we could build. The lead time associated with that, though, is one and a half to two years when everything is sent down. We are also looking at existing buildings within a 30-mile radius of Andover to the north and the west, and we haven't decided yet which of these alternatives we're going to close on. But again, we've had two offers. No deal done yet, but I would expect that we're likely to do something on this general front very soon.

John Teng-Wen Tang | Analyst, CGA Securities:

Okay, great. Thank you. I'll jump back in queue.

Operator | Conference Operator:

Thank you. One moment for our next question. And our next question comes from the line of Rich Chan of Craig Island Capital Group. Your line is now open.

Rich Chan | Analyst, Craig Island Capital Group:

Well, thanks, Patricia, Phil, and Jim for taking my questions. All of a sudden, my congratulations on a really good last year. My first question is on royalties and licensing here. As you mentioned, there's some questions here in the Q&A about growth in this business. I guess I wanted to triangulate it differently from how you've talked about in the past where you're hoping to get a roughly $300 million revenue stream. I know that's not entirely royalties, maybe some product in there, but talking about $300 million bogey between 24 and 26. And by my numbers, at least, that require a fair amount of growth, like doubling or so of your royalty revenues from 25 to 26. But you didn't talk about it that way this quarter. Can you maybe talk about it in those terms here? Is that a number that we should continue to expect, better or worse, just to help us triangulate those things?

Patricia Vinciarelli | Chief Executive Officer:

Yeah, so... We have two major licenses. We expect to have a lot more. And future contribution from those two should become quite a bit larger. So I think in one way of looking at it, in IAM computing AI, systems are, from the power system perspective, are IP. And to the extent that In order to be able to deploy those systems, a license would become necessary. That defines the opportunity. As you can see, the opportunity far exceeds what we've harnessed thus far. There's a lot more to be captured in years to come. Number, we see a point that involves contributions from royalties and business licenses. It's not a long-term goal. It is a relatively near-term goal. Not for this year, to be clear, but as we have said last year, in a couple of years' time frame. But we can see going beyond that.

Rich Chan | Analyst, Craig Island Capital Group:

My follow-on question is on second-gen BPD engagements. You already talked about your lead customer today and in past quarters, but last quarter you also mentioned engagements that didn't seem to be early-stage ones with a hyperscaler and an OEM. And I didn't hear any comments on the prepared remarks, although I was a little bit late. So I'm wondering if you can comment on the progress of those and any other ones you've added to the pipeline. Thank you.

Bill | Market Developments Presenter:

Yeah, so Richard, this is Phil. So maybe I can get a little bit more granular on that. So the next step for us is over the next couple of weeks, we're bringing in our global, you know, FAE team that is dedicated to supporting customers in different locations. We have target hyperscalers and OEM chip companies located. So they will be going through, if you like, a boot camp on Gen 5 VPD, using the demo boards and tools that the central applications group here in Andover have developed for the market. And so that's happening in the next couple of weeks. After we get that in place, as we talked about, we're going to be fairly selective in who we're going to be engaging with. It's very important we do that. And so that's the next step after that. So we'll be here the next couple of weeks, and we're on the way.

Rich Chan | Analyst, Craig Island Capital Group:

Okay. Thanks for that detail. I'll jump in line. Thank you, guys.

Operator | Conference Operator:

Thank you. One moment for our next question. Our next question comes from the line of Justin Clare of Roth Capital Partners. Your line is now open.

Justin Clare | Analyst, Roth Capital Partners:

Hi. Thanks for the time here. So first, I just wanted to follow up on the potential for capacity expansion here. So given the plan to add a second FAB, I was just wondering, you know, how we should think about the ramp in utilization for your existing facility, how we think about that over the next couple of years, and kind of, you know, what utilization thresholds you anticipate reaching, you know, that is necessitating the additional FAB here? And then just if you could talk about, you know, when do you anticipate kind of approaching that optimal utilization for the first FAB?

Patricia Vinciarelli | Chief Executive Officer:

So based on ramps with customers in different markets, with a strong contribution from my end computing, we see existing FAB being well utilized within a year. And that's obviously prompting the initiative to secure additional capacity both by bringing up a second FAB and by having discussions with potential alternative sources that could provide customers with equivalent solutions using their own capabilities and our technology. In terms of the FABs, as I mentioned earlier, we started exploring the opportunity of Being at that, with a large piece of real estate, flexibility to increment capacity in steps. This would be a campus that could support up to half a million square feet of manufacturing space. Just to set things in perspective, the facilities are 300,000, so there would be substantially more in terms of the USAID available for capacity. But also, given the learning that we've done, we think we can achieve more capacity per unit of area in an extra facility. The thinking of late has evolved more toward potentially acquiring a building. There's been no decision with

the other yet. It could go either way. But the benefit of doing it with an existing building is that you know, the time to fruition would be a year and a half shorter. So we might go that way. It would be on the same scale, though, in terms of the increment of capacity that we want to bring about with the second plan.

Justin Clare | Analyst, Roth Capital Partners:

Okay, got it. That's helpful. And then just when we think through this, if you're reaching, you know, close to kind of optimal utilization within a year, I think historically you've talked about, you know, your FAB being able to support a billion dollars in product revenue. So within a year, could you be, you know, close to that level where you're getting to a run rate of a billion dollars in product revenue? And then just curious on the second FAB, how much in CapEx spending you might anticipate in terms of what's required there?

Patricia Vinciarelli | Chief Executive Officer:

Yes. as a capacity given the dollars per panel and the number of panels they can process within a time to do slightly above the billion dollars in revenues. But you wouldn't want to use 100% of the capacity because by definition it will leave no room for error, right? An 80% capacity reduction is the kind of number that you want to think of in terms of the test or fundamentally having achieved a very good capacity reduction. Now, in terms of the next facility, whether it's by acquiring land, putting up a building, equipping it with what is necessary in order to bring about that relative increment of capacity. This is all in a proposition of the order of $250-$300 million, you know, something that Viagra is the way we go to finance on its own, you know, a cut position and a budget.

Justin Clare | Analyst, Roth Capital Partners:

Okay. I appreciate it. Thanks for the detail.

Operator | Conference Operator:

Thank you. One moment for our next question. And our next question comes from the line of John Dillon of DMB Capital. Your line is now open.

John Dillon | Analyst, DMB Capital:

Hi, guys. Thanks a lot for taking my call. And again, congratulations on a good year. Phil, I wanted to go back to the customers you talked about before in Q3 and Q4. I kind of got the impression that your design wins and these customers couldn't find alternative ways to power the new way our processors. So I'm wondering, are those customers still working with you or they, have they gone to other, other customers? Um, or are you going to be able to meet their time schedule for their, for their new products?

Patricia Vinciarelli | Chief Executive Officer:

Uh, they have a need for a VPD solution in particular that, uh, has more of the right trace. And, uh, The competitive landscape, it doesn't have that. And that's constrained the market opportunity for VPD to a very limited set of companies that have actually done it while incurring a real pain because of the shortcomings of the power system. So what we bring about with a second-gen VPD and fifth-generation modules is a solution that has a much higher density and much higher grade level of manufacturing quality in terms of the assembly of the whole solution. It doesn't require a stack. as such an actual BPD does. It's much easier to

cool. It's more efficient. It has a number of benefits that manifest themselves in many ways. So, as Phil suggested, we're going to be picking those customers that strategically we want to be aligned with. We have a great deal of interest As an example, we were out in the valley just a few weeks ago, met in the morning with, you know, in other words, a customer with a good deal of interest in, you know, our VPD capability. We haven't decided yet whether or not we want to engage in that particular case. We will be in a situation like this, in fact, before we get another five in place of deciding which applications make the most sense. And as you say, a lead customer is one that we prioritize. There's going to be more in that league, in that end market. This is my particular tremendous opportunity in terms of volume. That one alone fills two tabs. So we are in a privileged position. We have the technology and the capability. We can leverage our opportunity both by selling products and by collecting licensing. We can also do it by bringing about non-financed works. We're pursuing all these opportunities involved.

John Dillon | Analyst, DMB Capital:

Got it. So, I just want to make sure I understand. So, the customers that you mentioned before, they're still on the hook. They're still talking to you. They're still engaged with you. They still can't find an alternative source to power their new A processors, but it sounds like it just slipped a bit.

Patricia Vinciarelli | Chief Executive Officer:

Well, I think if you were to ask them, you know, they would all say that they will find a solution, but not Vigor exists. Nobody will knowledge that they're out of luck without us. And that's not the real world. That's not what we're suggesting. There's always some way of getting something done, but to be clear, that way of getting it done is problematic in terms of the technical trade-offs and technical challenges, whether it's cooling or manufacturability. And then it may also be very much challenged from the IP perspective.

Operator | Conference Operator:

Got it.

Patricia Vinciarelli | Chief Executive Officer:

It's a complex landscape.

John Dillon | Analyst, DMB Capital:

It sounds like it's still a competitive situation then.

Patricia Vinciarelli | Chief Executive Officer:

Well, it's always been an issue of competitive situation.

John Dillon | Analyst, DMB Capital:

Yeah, got it. So my follow-on question is, Are you seeing any AI processor designs with horizontal or horizontal vertical besides your lead customer?

Bill | Market Developments Presenter:

So I think if you look at, as Patricio actually said, there's one very, very large company that's using vertical power delivery today in very high volume, and that's increasing year on year. In terms of anybody else really in high volume production, it's vertical power delivery, John, it's fairly limited right now. They're all trying to get Gen 1 VPD to work in some fashion. But to date, I'm not hearing anybody that's buying that in volume. They're trying. They're working on it. But I think when we come out with our Gen 5 and launch it and selectively launch it, as we've talked about, we're going to have some winners on our hands.

John Dillon | Analyst, DMB Capital:

Got it. I saw a picture of a new AI processor that's coming out that had a, it looked like a gold bar on the top. And that's why I ask about horizontal. I'm wondering if you have any upcoming horizontals or horizontal verticals besides your lead customer, because I know they're different.

Patricia Vinciarelli | Chief Executive Officer:

So I don't think we're going to make comments specifically about that stuff. I think, you know, what do you all say about that?

Bill | Market Developments Presenter:

We do have Gen 4 questions. customers using our gold bars as it were laterally.

Patricia Vinciarelli | Chief Executive Officer:

But I don't think the visibility to a gold bar is really what's fundamentally an issue at this point. I think my way of looking at it is that we have tremendous opportunity and we have the technology that matches the needs of the marketplace. Again, going back to the earlier question, it's not that if our solution didn't exist, there wouldn't be a solution. The authentic solution, which is really a common denominator to all the competitors that tend to do pretty much the same thing with The only slight difference is that they look over each other's shoulder to, you know, make incremental steps down an old road. It carries a lot of baggage in a number of respects, technical, and when it comes to VPD, also IP challenges.

John Dillon | Analyst, DMB Capital:

Excellent. Okay, listen, thank you very much. I might get back in the queue. Thank you again.

Operator | Conference Operator:

Thank you. We'll move it for our next question. And our next question comes on the line of John Tengwintang of CJS Securities. Your line is now open.

John Teng-Wen Tang | Analyst, CGA Securities:

Hi, thank you for taking my follow-up. Earlier, you mentioned that you were taking capacity reservations for your facility. I was wondering what the financials of that look like. Is there an upfront payment? Are there contract terms for minimums or something like that? Just how are you approaching those reservations?

Patricia Vinciarelli | Chief Executive Officer:

So, in terms of revenue recognition, that would happen... you know, as shipments take place. Obviously, there is a cash component that would show up in Arbashi, but there is no acceleration of revenue that comes from the capacity reservation. Revenues get recorded as product ship covered by only that reservation.

John Teng-Wen Tang | Analyst, CGA Securities:

okay got it and then um can you talk a little bit more about the 800 volt data center opportunity and if you are seeing any traction there or are you seeing any orders ahead of that and i'm specifically talking about you know products that are outside you know the vertical or lateral power or the mdms that you have today so we have technology there there too you know virus pioneered um high density

Patricia Vinciarelli | Chief Executive Officer:

a bus conversion from 800 volts and 400 volts for many, many years. We have relevant AP. We have products. We have more products in the pipeline that will come out later this year. Frankly, though, I would say that there is quite a bit of hype about this 800 volt. I think that it's to some degree missing the point with respect to what the real issues are. It's a diversion. The reason why generations of GPUs have not been able to meet expectations with respect to performance having to do with the power system gating the GPU performance. It has nothing to do with 4k volts or 800 volts. It has to do with what goes on at the point of load. And the fact that multi-phase mainstream types of solutions are handicapped. That's where the problem should be. So obviously we operating industry that goes through phases of focus and potential . Without question, there is value to an 800-volt bus, but that value, if you measure it in terms of efficiency, it's measured in a few percent. gets lost in inferior point of load solution is 15 or 20 points. So I personally wonder why anybody would worry about capturing the 3% improvement in another volt power distribution when they're missing 15 or 20% in the point of load. They can't call or deliver the power they need in order to achieve the level of performance they targeted. But in respect of how these things evolve, we have the technology, we have the AP, and we're going to make the most of the opportunity. But frankly, I think there's going to be a lot of hype related to 800 volts. And that could lead to problems, because if people are focused on the wrong problem, which is not really much of a problem, they're going to have to be solving the real problems.

John Teng-Wen Tang | Analyst, CGA Securities:

Understood. Thank you for that insight.

Operator | Conference Operator:

Thank you. One moment for our next question. And our next question comes from the line of Glenn Bolton of Neiman Company. Your line is now open.

Gwen Bolton | Analyst, Needham & Company:

Hey, guys. Thanks for taking my follow-up. Patricio, I guess I just wanted to sort of make sure everybody on the line is sort of thinking about the revenue ramp the same way. You have an obviously guided revenue for 26th. but you've given us sort of three, you know, kind of guideposts, which are you expect Andover to become, you know, or to approach full utilization over the next year. You've sort of said full utilization, you know, would be around 80%. Otherwise, you know, you don't leave a lot of room for error. And you've said at

100% utilization, the FAB would be able to produce a billion in revenue. And so when I put all that together, it sort of sounds like you're pointing revenue could approach an $800 million product revenue, could approach an $800 million run rate over the next year, and that would be more than double what you did on a product revenue front in calendar 25. I know you're not giving guidance, but some of those guideposts, you know, pointed to very significant revenue growth. And I just want to make sure to the extent that you think that interpretation of the comments you've made is too aggressive. I just wanted to see if you would correct any of those thoughts or if that's the right way to be thinking about sort of the data points you've suggested.

Patricia Vinciarelli | Chief Executive Officer:

I think your analysis is on point. Obviously, key to that is run rate. It is distinct from revenues for this year, 26. So we see the demand getting to a run rate that would utilize 80% or so of the capacity in the end of the fiscal year. Another way of, in fact, tagging this is that we see this year as being one major increase in product revenue relative to the rate of last year and at a level that we haven't enjoyed for quite some time. And that's pretty much baked in at this point based on bookings that we've received And additional bookings to come away as the year progresses.

Gwen Bolton | Analyst, Needham & Company:

Got it. Thank you very much. Thank you.

Operator | Conference Operator:

Thank you. One moment for our next question. Again, as a reminder to ask a question, you'll need to press star 1-1 on your telephone. And our next question comes from the line of Richard Chan of Greg Holland Capital Group. Your line is now open.

Rich Chan | Analyst, Craig Island Capital Group:

Well, hey, guys, thanks for letting me ask a couple of follow-on questions here. My first one is on licensing here. Matricio, following up on an answer to one of the prior questions here you mentioned about having a couple or specifically two licensees so far, As we think about growing the licensing revenue stream this year, and if you can comment beyond that, that'd be great in terms of your general expectations. But how do we think about adding to the customer list here versus number of licensees or licenses per licensee or other dynamics that help us think about this? And I guess specifically, if you could address, you know, if things went well for you, What's the kind of number of major licensees would you have? I don't know if this is three or five or eight, but if you can just characterize that in any way, that'd be helpful. Thanks.

Patricia Vinciarelli | Chief Executive Officer:

In the AI market, I think in terms of base substantial licensees, it would be up to that. So three times as many as we currently have in that market. a reminder was on top of that. And by the way, if the focus has been and the actions of the ATC thus far have been focused on IAM computing, but there's information going on in other markets as well. So there is a lot of opportunity, not just for DMVM technology, but what other technologies ?

spk11:

Okay.

Rich Chan | Analyst, Craig Island Capital Group:

My follow-on question is wondering if there's any way that you can help us think about, for specifically about your second-gen VPD technology, how do we think about content per XPU. And I'm going to offer a couple ways maybe to think about this. I know you're not going to quantify in a specific way, but I think a lot of us who cover this name for a while have a decent idea of what that content looked like a few years ago in your last really high volume or potential high volume win that you had in point of load. But also since that time, the level of power and the level of current in leading XPUs, particularly getting to reticle limit, are increasing a lot here. So do we think about the kind of the content opportunity now as kind of being proportional to power current? And how do we think, how would you have somebody think about what that might look like on a per unit basis? Thank you.

Patricia Vinciarelli | Chief Executive Officer:

So as I look back at, you know, a high power system for GPUs a number of years ago, that was, in one way of looking at it, about $100 million per year type of opportunity and rising. We are locked into an opportunity that will double that. And to Phil's earlier point, there is an hyperscale with an opportunity that could be another magnitude. I don't know if that answers your question.

Rich Chan | Analyst, Craig Island Capital Group:

Mine was really more on content per XPU, but the way you characterize it is also helpful. But anyways, you might think about it on a per XPU basis would be helpful, too. Thank you.

Bill | Market Developments Presenter:

Yeah, so do you want to take that? Yeah, I think, Richard, to your point, it really depends on the current, that XPU, the number of rails, that type of thing. So I think that the opportunity for us would be somewhere between $200 to $400 per XPU.

Patricia Vinciarelli | Chief Executive Officer:

But it very much depends. So, make that with a grain of salt. Yeah.

Rich Chan | Analyst, Craig Island Capital Group:

Understood. Getting it to half order magnitude is very helpful. So, thank you very much for that.

Bill | Market Developments Presenter:

So, Richard, just to clarify, it's about like a 2,000 amp up to a 4,000 amp type of product.

Rich Chan | Analyst, Craig Island Capital Group:

Got it. Okay. Great. Thank you.

Operator | Conference Operator:

Thank you. One moment for our next question. Our next question comes from the line of A. Hicks of NC Capital Management. Your line is now open.

A. Hicks | Analyst, NC Capital Management:

Yeah, good afternoon. I just wanted to confirm. It's a billion dollars capacity now.

spk11:

Hello?

Patricia Vinciarelli | Chief Executive Officer:

I think we lost part of your question. I think the question was he wanted confirmation of the billion dollar capacity of one. Was that a question?

A. Hicks | Analyst, NC Capital Management:

Yeah, just for advanced products, nothing else.

Patricia Vinciarelli | Chief Executive Officer:

Yes, we are very confident that we can generate upwards of a billion dollars worth of revenue.

A. Hicks | Analyst, NC Capital Management:

Okay, because I'm looking at what your sales were just for advanced products, not without royalties for the year was around $200 million. Is that for 2025?

Jim Smith | Chief Financial Officer:

Yes.

A. Hicks | Analyst, NC Capital Management:

Okay, so you're saying within a year or so, you could be at $800 million in advanced products?

Patricia Vinciarelli | Chief Executive Officer:

It's suggesting an earlier question than confirmed by me.

A. Hicks | Analyst, NC Capital Management:

Okay, and then on the BRICS, the original BRICS fab, could that be converted in the future to advanced products?

Bill | Market Developments Presenter:

So no, the bricks are much older products. They've got a very stable, if you like, customer base. So some of those customers are moving to advanced products, and we've had quite a bit of success of that in recent years in some higher volume end markets. But aerospace and defense and some very broad-based industrial, they like the bricks. They're going to stay with the bricks. So the brick piece will be fairly stable over the next few years.

Patricia Vinciarelli | Chief Executive Officer:

I don't really play a role with respect to capacity . They become, you know, they become . Okay.

A. Hicks | Analyst, NC Capital Management:

But you're also adding capacity to this first FAB. Is that correct also?

Jim Smith | Chief Financial Officer:

Yes, we are. Yeah. So that's right. We're adding capacity to the existing footprint. Okay.

A. Hicks | Analyst, NC Capital Management:

And then, did you say you're in discussions with a partner to have them produce products themselves?

Patricia Vinciarelli | Chief Executive Officer:

Yeah, so we are having discussions, so this may take some time because it's an important decision selection. We have customers that want us to have an alternative source. we see the benefit of an out there source in terms of expanding the market opportunity. If you just look at AI, there is so much of a market opportunity that frankly there is no way that BlackRock alone could do it alone. Even with the second or third fab. So we need to in effect look at making the most out of the opportunity as opposed to limiting the scope of the opportunity by wanting to do it alone.

A. Hicks | Analyst, NC Capital Management:

Then I was just kind of curious, how many panels can you produce in a day out of the factory you have now?

Patricia Vinciarelli | Chief Executive Officer:

I'm not going to quantify that for competitive reasons. I will just say that In terms of the revenue opportunity of the FAB, FAB 1 is slightly above a billion dollars a year.

A. Hicks | Analyst, NC Capital Management:

Okay. Okay. Thank you very much.

Patricia Vinciarelli | Chief Executive Officer:

Thank you.

Operator | Conference Operator:

Thank you. We'll move on to our next question. Our next question comes from the line of John Dillon of DMV Capital. Your line is now open.

John Dillon | Analyst, DMB Capital:

Hi, guys. I'll make this quick because I know we're up against the timeline. First of all, Patricio, thank you for answering Quinn's question. That was one of my follow-up questions also, and I appreciated that answer. Another one is just a quick one. We're halfway through the quarter, and I'm just wondering how bookings are looking so far this quarter.

Bill | Market Developments Presenter:

I mentioned in my prepared remarks, John, that book the bill was 1.2 in Q4, and we're above that already in Q1.

John Dillon | Analyst, DMB Capital:

Excellent. Thank you very much. Congratulations, guys. Thank you.

Operator | Conference Operator:

Thank you. This concludes the question and answer session. Thank you for your participation in today's conference. This concludes the program. You may now disconnect.