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Flux Power Holdings, Inc. (FLUX)

Q1 2026 Earnings Call

CORPORATE PARTICIPANTS

Joel Achramowicz

Managing Director-Investor Relations, Shelton Group

Kevin S. Royal

Chief Financial Officer, Flux Power Holdings, Inc.

Krishna Vanka

President, Chief Executive Officer & Director, Flux Power Holdings, Inc.

OTHER PARTICIPANTS

Rob Brown

Analyst, Lake Street Capital Markets LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon and welcome to the Flux Power Fiscal First Quarter 2026 Earning Conference Call. At this time, all participants are in the listen-only mode. At the conclusion of today's conference call, instructions will be given for the question-and-answer session. As a reminder, this conference call is being recorded today, November 13, 2025.

I would now like to turn the conference over to Joel Achramowicz of Shelton Group Investor Relations. Joel, thank you, and over to you.

Joel Achramowicz

Managing Director-Investor Relations, Shelton Group

Good afternoon and welcome to Flux Power's fiscal first quarter 2026 earnings conference call. I'm Joel Achramowicz, Managing Director of Shelton Group, Flux Power's Investor Relations firm. Joining me on the call today are Krishna Vanka, Flux Power's CEO; and Kevin Royal, Chief Financial Officer.

Now, before I turn the call over to Krishna, I'd like to remind our listeners that during the course of this conference call, the company will provide financial guidance, projections, comments and other forward-looking statements regarding future market developments, the future financial performance of the company, new products or other matters. These statements are subject to the risks and uncertainties that we discuss in detail in our documents filed with the SEC, specifically our 10-K and our most recent 10-Q, which identify important risk factors that could cause actual results to differ materially from those contained in the forward-looking statements.

Also, the company's press release and management statements during this conference call will include discussions of certain adjusted or non-GAAP financial measures. These financial measures and related reconciliations are provided in the company's press release and related current report on Form 8-K, which can be found in the Investor Relations section of Flux Power's website at www.fluxpower.com. For those of you unable to listen to the entire call at this time, a recording will be available via webcast on the company's website.

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And now, it's my great pleasure to turn the call over to Flux Power's CEO, Krishna Vanka. Krishna, please go ahead.

Krishna Vanka

President, Chief Executive Officer & Director, Flux Power Holdings, Inc.

Thank you and welcome, everyone, to our Q1 2026 conference call. As we announced in our press release earlier today, revenue in the quarter reflected a temporary pause in the customer orders. This was mainly due to the uncertainty surrounding the tariff situation during the quarter, and also due to the near-term caution regarding the macroeconomic situation. With the uncertainty that tariffs had on pricing, customers held back on placing orders until there was more clarity. This dynamic also temporarily impacted our gross margins during the quarter.

Lately, however, we have begun to see order activity rebound in our second fiscal quarter, and this is highlighted by multimillion-dollar orders from top material handling customers totaling \$2.4 million. In addition to these repeat orders, we also recently secured a large order with another major airline for ground service equipment. With this new customer, we now supply to eight major North American airlines, and this represents doubling of our airline customer base compared to last year.

As I have shared with you on the prior earnings calls, the leadership here has established five strategic initiatives to guide our execution and performance. As a reminder, these initiatives include profitable growth, operational efficiencies, solutions selling, building the right products, and integrating value-added software across our battery portfolio to generate recurring revenue streams.

Let me provide you with update on these initiatives. During the quarter, we made additional progress on the operational efficiencies. We achieved this by implementing another limited workforce reduction. Since my arrival, we have reduced our head count costs by a total of 20%, while maintaining consistent production levels.

In October, we were also pleased to receive confirmation that we retained our listing on the Nasdaq capital markets, so this is now behind us. We remain committed to maintaining the integrity of our listing for broad access to our common stock.

I'm also thrilled to announce that we have completed two capital raises totaling \$13.8 million in proceeds, net of underwriters' discount fees and expenses. These funds will be efficiently used for working capital needs and to accelerate our product development road map. We believe this product acceleration will create more opportunities and ultimately lead to better margins.

We are excited that we recently received UL EE Listing across our entire material handling portfolio of products. This will also open new market segments, representing around \$1 billion in total addressable market. And these new market segments include chemical, agricultural processing, oil and gas, and pharma industries.

During the quarter, we also achieved UL 1973 Listing for our 80-volt intelligent batteries. This marks our first globally recognized certification for a mobile battery energy storage system, BESS, in the GSE industry and also unlocks new opportunities in AGVs and AMRs. Overall, these key safety standards provide assurance to customers that our products are reliable and safe.

Our batteries were also certified recently by a world-leading multinational industrial equipment OEM for use in their new lift truck models. This showcases our commitment to working closely with OEMs and our partners as we continue to build the right products and solutions to meet our customers' needs.

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Another key initiative is to expand our software offerings to improve recurring revenue. During the quarter, we graduated our SkyEMS 2.0 SaaS platform and converted a major airline from beta testing to a paying customer. We now have multiple paying customers on this software platform and continue to receive strong interest. We also started working on adding new AI-driven operational features to SkyEMS that you'll hear about on future calls. It is our goal that every battery shift be cloud-connected, and we are working hard towards this goal.

With that, let me now hand the call over to our CFO, Kevin Royal, to discuss our first quarter financial results in more detail. Kevin, please go ahead.

Kevin S. Royal

Chief Financial Officer, Flux Power Holdings, Inc.

Good afternoon, everyone. Revenue for the fiscal first quarter of 2026 was \$13.2 million, compared to \$16.1 million in the same quarter last year. As Krishna outlined earlier, the decrease in revenue was driven mainly due to a pause in customer orders, as a result of the tariff uncertainty and macroeconomic concerns.

Gross margin in the first quarter was 28.6%, compared to 32.4% in the prior year period. The decrease in gross margin resulted mainly from lower sales, combined with a shift in mix to our lower energy capacity products which have lower gross margins.

Operating expenses in the first quarter of 2026 were \$5.9 million, compared to \$6.4 million in the first quarter of 2025. The decrease in operating expenses reflects the benefits of our cost reduction initiatives, including rightsizing the workforce to match current operating levels.

The net loss for the first quarter was \$2.6 million, or (\$0.15) per share, compared to a net loss of \$1.7 million, or (\$0.10) per share, in the first quarter of 2025. Excluding costs associated with stock-based compensation, first quarter non-GAAP net loss was \$2.4 million, or (\$0.14) per share, compared to a non-GAAP net loss of \$1.1 million, or (\$0.06) per share, in the prior-year period.

Adjusted EBITDA for the first quarter was negative \$1.7 million, compared to negative \$0.4 million in the same quarter a year ago, reflecting the lower revenue and margins in the quarter.

Turning to the balance sheet, we ended the quarter with cash and cash equivalents of \$1.6 million, compared to \$0.6 million a year ago and \$1.3 million in the prior quarter. Subsequent to quarter-end as Krishna highlighted earlier, we raised \$9.2 million in proceeds, net of fees and underwriters' discount, from the secondary offering of common stock. And we also raised \$4.6 million in proceeds, net of fees, from a private placement of pre-funded warrants and common stock warrants. Proceeds will primarily be used for working capital and to accelerate the redesign of our product portfolio in order to lower costs and improve gross profits.

I will now turn the call back over to Krishna for his final remarks, and then we will open it up for questions. Krishna?

Krishna Vanka

President, Chief Executive Officer & Director, Flux Power Holdings, Inc.

Thank you, Kevin. In closing, despite the challenges we faced during the quarter, I'm really proud of the progress we have made. This includes streamlining our cost structure, completing the capital raises that we need to support our business, regaining compliance with Nasdaq listing requirements, accelerating our product road maps, receiving key certifications with UL and an important OEM, delivering SkyEMS 2.0 with paying customers.

With these actions and the new leadership in place, we are well positioned to achieve profitable growth in the coming quarters.

With that, let's open the call to questions. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] We have the first question from the line of Rob Brown from Lake Street Capital Markets. Please go ahead.

Rob Brown

Analyst, Lake Street Capital Markets LLC

Hi. Good afternoon.

Krishna Vanka

President, Chief Executive Officer & Director, Flux Power Holdings, Inc.

Good afternoon, Rob.

Rob Brown

Analyst, Lake Street Capital Markets LLC

First question on kind of the order trends sort of post-quarter, you talked about some recovery in orders, I guess, and you've announced some bigger orders. But how are the order trends coming through? And are you seeing that strength continue into the end of fourth quarter?

Kevin S. Royal

Chief Financial Officer, Flux Power Holdings, Inc.

Yeah. So, well, we are seeing some evidence of a rebound. We highlighted \$2.4 million in orders for material handling industry, as well as a significant airline order. We really are still seeing some headwinds, which we continue to attribute to recent tariffs, as well as some impact in the quarter from the government shutdown. However, we are seeing more promising trends in the second half of the year, and in particular, seeing some strengthening in our third fiscal quarter, which is the first calendar quarter of 2026.

Rob Brown

Analyst, Lake Street Capital Markets LLC

Okay. Great. And then in the ground support equipment market, you've had good progress there in terms of adding customers and expanding penetration in the customers. How is that market sort of looking from an investment standpoint on their part in terms of rolling out product and what sort of further penetration can you get there?

Krishna Vanka

President, Chief Executive Officer & Director, Flux Power Holdings, Inc.

Yeah, they continue to adopt the clean energy solutions in the GSE. So, I'm not seeing any pushback from the overall goal and how the airlines are thinking about going lithium. So, that trend is very supportive. It was really the short-term tariff that paused some of the progress. But as Kevin mentioned, early next year, calendar-wise,

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we'll start seeing more activity. As you noticed, we doubled the airlines we now serve, and some of the airlines are just getting started like the first order, literally, in the case, as I mentioned on the call. So, we look forward to them taking more and more orders as they start deploying lithium.

Rob Brown

Analyst, Lake Street Capital Markets LLC



All right. Great. Thank you. I'll turn it over.

Operator: Thank you. [Operator Instructions] As there are no further questions, I would like to hand the conference over back to Mr. Krishna for closing remarks.

Krishna Vanka

President, Chief Executive Officer & Director, Flux Power Holdings, Inc.

Sure. Thank you again for joining us on the call today. We look forward to reporting our continued progress throughout the quarter and on our next earnings call in mid-February. Operator, you may now disconnect.

Operator: Thank you. This brings us a close to today's conference. You may now disconnect your lines. Thank you for participating and have a pleasant day.

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