Q3 Fiscal 2026 Earnings Conference Call Prepared Remarks

Operator

Ladies and gentlemen, good afternoon.

At this time, I would like to welcome everyone to QuickLogic Corporation's Third Quarter Fiscal 2026 Earnings Results Conference Call. As a reminder, today's call is being recorded for replay purposes. I would now like to turn the conference over to Ms. Alison Ziegler of Darrow Associates. Ms. Ziegler, please go ahead.

Alison Ziegler

Thank you, operator, and thanks to all of you for joining us. Our speakers today are Brian Faith, President and Chief Executive Officer, and Jim Sullivan, Senior Vice President of Finance and Chief Financial Officer.

As a reminder, some of the comments QuickLogic makes today are forward-looking statements that involve risks and uncertainties, including but not limited to statements regarding our future profitability, revenue growth and cash flows, expectations regarding our future business and statements regarding the timing, milestones, and payments related to our government contracts, statements regarding expected contracts and the expected magnitude of such contracts, statements regarding the likelihood and timing of storefront opportunities and statements regarding expected adoption rates and/or orders by our customers.

Actual results may differ due to a variety of factors including: delays in the market acceptance of the Company’s new products; the ability to convert design opportunities into customer revenue; our ability to replace revenue from end-of-life products; the level and timing of customer design activity; the market acceptance of our customers’ products; the risk that orders may not result in future revenue; our ability to introduce and produce new products based on advanced wafer technology on a timely basis; our ability to adequately market the low power, competitive pricing and short time-to-market of our new products; intense competition; our ability to hire and retain qualified personnel; changes in product demand or supply; general economic conditions; political events, international trade disputes, natural disasters and other business interruptions that could disrupt supply or

delivery of, or demand for, the Company's products; and changes in tax rates and exposure to additional tax liabilities.

For more detailed discussions of the risks, uncertainties and assumptions that could result in those differences, please refer to the risk factors discussed in QuickLogic's most recently filed periodic reports with the SEC. QuickLogic assumes no obligation to update any forward-looking statements or information, which speak as of the respective dates of any new information or future events.

In today's call, we will be reporting non-GAAP financial measures. You may refer to the earnings release we issued today for a detailed reconciliation of our GAAP to non-GAAP results and other financial statements. We have also posted an updated financial table on our IR web page that provides current and historical non-GAAP data.

Please note, QuickLogic uses its website, the company blog, and LinkedIn page as channels of distribution of information about its business. Such information may be deemed material information, and QuickLogic may use these channels to comply with its disclosure obligations under Regulation FD.

A copy of the prepared remarks made on today's call will be posted on QuickLogic's IR web page shortly after the conclusion of today's earnings call.

I would now like to turn the call over to Brian.

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Brian Faith: CEO

Thank you, Alison, Good afternoon, everyone, and thank you all for joining our third quarter 2026 conference call.

2026 is on track to be a very good year for QuickLogic. Beyond our revenue growth, we have expanded both our customer base and end market penetration. With this momentum, we believe we are very well positioned to continue the growth of our IP business and generate material Storefront revenue in 2027.

As our new CFO, Jim Sullivan, will cover in his presentation, we will guide for a 55% sequential revenue increase in Q4 resulting in a full year outlook of 72% year-over-year revenue growth. With this top-line growth, we are also anticipating non-GAAP profitability for the second half of 2026 and cash flow positive operations for the full year.

As I'm sure you are aware, Q3 revenue was below the midpoint of our guidance. This is due solely to the fact the customer for the follow-on 1M LUT contract targeting Intel 18A-P extended the scope of our negotiations to include a Storefront provision. While this delayed the signing of the contract, it significantly expands the long-term revenue potential for QuickLogic and broadens our partnership with the customer. We expect to finalize this contract and recognize IP revenue during Q4.

This is one of several examples I'll share with you today that illustrate how we are leveraging our decades of experience in managing third party IP, fabrication, test, package and logistics to provide Storefront solutions for our customers.

At the foundation of our anticipated Q4 growth is our ongoing contract with the U.S. Government, which was increased last year to a total ceiling value of $89 million. We are forecasting the award of a new tranche later in Q4 with revenue recognition contributing a significant percentage of our forecasted Q4 revenue.

With two Tape-Outs funded by this next tranche of the contract planned in early 2027, we believe there will be enough finished devices for us to support initial production quantities through our Storefront initiative beginning in late 2027.

We continued to receive and deliver orders for our RadPro Dev Kit during Q3. We expect this growing interest to continue and, with a number of evaluations already underway, we are very optimistic that we'll see initial Storefront device demand in 2027.

Beyond our US Government Contract and our internally developed RadPro Devices and Dev Kits, we have a number of ongoing and new contracts that we expect will contribute to our forecasted Q4 revenue growth. Due to our ratable revenue recognition policy, most of these contracts will also contribute to our anticipated growth in 2027.

In an October 13th Press Release, we announced our first eFPGA Hard IP win in the automotive and industrial robotics sectors. This is one of several examples of our success this year in broadening both our customer base and end market penetration.

In this application, the ASIC uses our eFPGA Hard IP to enable its core battery management and motor control functions to adapt to changing market requirements and use cases. This flexibility allows the ASIC to be programmed to support a wide variety of automotive and industrial robotic platforms, increasing its potential annual volume and extending its product lifecycle.

The ASIC will be fabricated on a 16nm process that is commonly used for automotive ICs. While this is our first delivery of eFPGA Hard IP for this process, we are leveraging our proprietary Australis IP Generator to deliver customer-specific Hard IP very quickly and with minimal engineering expense.

The IP revenue from this contract will be recognized ratably beginning in Q4, and once the ASIC is in production, QuickLogic will receive an ongoing stream of royalty revenue.

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We are forecasting a contract award later this quarter from a major U.S. based fabless semiconductor company that intends to leverage the advantages of our eFPGA Hard IP in a new IC targeting biomedical applications.

In this design, our eFPGA Hard IP will be used for inference and signal processing applications in physical AI**.** Inference in physical AI is the process of running a trained AI model on real-world sensor data to make decisions or take actions in the physical world.

If we are successful in securing this contract, IP revenue will be recognized ratably beginning in Q4, and once the IC is in production, QuickLogic will receive ongoing royalty revenue.

Several years ago, a company that designs ASICs for the Defense Industrial Base, or DIBs, decided to go with one of our competitors. This company has reached out to us and expressed its desire to move to our eFPGA Hard IP for new designs. We are working closely with this potential customer on a new 22FDX® design and believe there is a good potential of finalizing a contract in Q4.

Last quarter, I provided you with an initial briefing on what we anticipate will be our second Architectural IP License.

Earlier in 2026, this customer awarded us a five-figure feasibility study contract to evaluate our eFPGA Hard IP for its unique application. The goal of the study is to determine if a custom implementation of our IP will meet its PPA requirements on its proprietary fabrication process. The evaluation is going well, but we have been advised it will likely extend into early 2027.

We are also working closely with this new potential customer on an ASIC design that will target Intel 18A-P. The technical evaluation and negotiations have been completed, and we are optimistic the customer will receive funding for this program during the next six months.

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On May 13th we announced a contract with a $2.7 million ceiling value. In the first phase of this contract, we taped out a discrete FPGA that was fabricated on the GlobalFoundries 12LP process.

In line with our previous forecasts, we have received the test chips from GlobalFoundries, and they are in assembly now. We have scheduled the introduction of a 12LP Eval Kit in late Q4 that incorporates this chip. The Eval Kit will be compatible with common third-party development environments used by both DIB and Commercial customers. This enables customers to accelerate evaluations of discrete and chiplet versions of the design that we will offer as Storefront solutions beginning next year.

We are now in the final stages of negotiations with this customer for the second phase of this contract that will extend its value to within $50 thousand of the $2.7 million ceiling. In this phase, we will work closely with YorChip to co-develop a new FPGA Chiplet that will be fabricated using the GlobalFoundries 22FDX process and be co-packaged with the original 12LP test chip. This new FPGA Chiplet will enable connectivity between legacy silicon and newer devices with modern interfaces.

If we are successful in winning this contract extension, revenue recognition would begin in late Q4 and extend into 2027.

As demonstrated by the ongoing revenue from our mature products that were introduced decades ago, certain defense and aerospace applications continue to benefit from the locked-in one-time programmable Anti-fuse technology.

Beyond the ongoing demand and several new design wins for our existing mature products, certain DIBs have shown an interest in smaller packages than we currently offer. One in particular has contracted with us to fund and qualify smaller package versions of existing devices for new designs.

We have samples of these new solutions in house and are on track to ship them to customers along with our FPGA user tools and device programming capability this quarter.

Our evaluation of this opportunity suggests it could become a new multi-million-dollar market for QuickLogic that requires only a minimal ongoing operational investment. Based on our customer's forecast, we expect initial revenue will begin during the first half of 2027.

Our Chiplet initiative has established solid traction during 2026, and we expect it will accelerate in 2027. We have five active proposals that include designs targeting Intel 18A, Intel 18A-P and GlobalFoundries 12LP fabrication processes. Several of these devices may also be offered as Storefront Chiplet solutions in 2027.

In addition to these, as I mentioned earlier, we have a pending contract for a Chiplet design that we will co-develop with our partner, YorChip that we may also offer as a Storefront solution. This Chiplet will be fabricated on the GlobalFoundries 22FDX process and funded within the scope of the $2.7 million eFPGA Hard IP contract.

Given the tangible progress we've logged during 2026, I believe Chiplet solutions will make a meaningful contribution to our revenue beginning in 2027.

With that, I will turn the call over to Jim for his presentation of financial data.

Jim Sullivan: CFO

Thanks, Brian. Hello everyone. It's good to be here speaking with you today. Now to our results.

Total third quarter revenue was $5.1 million dollars. This was up 153% from Q3 2025 and down 6% from Q2 2026. As Brian previously covered, the sole reason revenue was below the midpoint of our guidance range was because a customer extended the scope of our negotiations for a specific contract to include a Storefront provision. We expect to finalize this contract and recognize IP revenue during Q4, 2026.

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New product revenue in Q3 2026 was $4.0 million dollars and mature product revenue was $1.1 million dollars.

New product revenue was up 324% from Q3 2025 and down 13% compared with Q2 2026. Mature product revenue was up 2% compared with Q3 2025 and up 33% from Q2 2026.

Non-GAAP gross margin in Q3 was 41.0%, compared with negative 11.9% in Q3 2025 and 46.8% in Q2 2026. This was below our outlook due to unfavorable absorption of fixed costs with lower revenue and a larger than expected allocation of R&D expenses to cost of revenue.

Non-GAAP operating expenses in Q3 2026 were approximately $3.3 million dollars, compared with $2.9 million dollars in Q3 2025 and $3.5 million dollars in Q2 2026. Due to expense management and the allocation of certain R&D costs from operating expenses to cost of revenue, Q3 2026 operating expenses were below the $3.6 million dollar midpoint of our outlook.

Q3 2026 Non-GAAP net loss was $1.3 million dollars, or a loss of $0.07 per share. This compared with a non-GAAP net loss of $3.2 million dollars, or a loss of $0.19 per share in Q3 2025, and a non-GAAP net loss of $1.1 million dollars, or a loss of $0.06 cents per share, in the second quarter of fiscal 2026.

The difference between our GAAP and non-GAAP results for Q3 was attributable to non-cash stock-based compensation expenses and restructuring charges.

Stock based compensation for Q3 2026 was approximately $0.9 million dollars, consistent with our outlook. Stock based compensation was $0.8 million dollars in each of Q3 2025 and Q2 2026.

Restructuring costs were $34 thousand dollars in Q3 2026, compared with zero in Q3 2025 and $16 thousand dollars in Q2 2026.

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For the third quarter, two customers accounted for 10% or more of total revenue.

At the close of Q3 2026, excluding a $5 million dollar drawdown from our line of credit, net cash was $14.2 million dollars. Our positive cash flow for Q3 benefitted from the timing of certain payments, which were subsequently made in Q4.

This $14.2 million-dollar net cash balance compares favorably with our projection of $13 million dollars and with the $3.8 million dollars in net cash we reported at the close of Q4 2025. This increase of $10.4 million in net cash through the first three quarters of fiscal 2026 includes approximately $9.5 million dollars of net proceeds from sales under our ATM program during the first half of 2026.

Now moving to our guidance and outlook for our fourth fiscal quarter, which will end on January 3, 2027.

Based on backlog and customer forecasts, our total revenue guidance for Q4 2026 is $8.0 million dollars, plus or minus 10%. We expect total revenue to be comprised of $7.3 million dollars in new product revenue and $0.7 million dollars in mature product revenue.

Based on the anticipated Q4 revenue mix, non-GAAP gross margin for the fourth quarter is expected to be approximately 55%, plus or minus 5%. Taking the range of our Q4 outlook into consideration, our full-year 2026 non-GAAP gross margin is expected to be 47%, plus or minus 5%.

In accordance with GAAP and consistent with industry practice, we record certain labor and tooling expenses associated with our IP contracts as cost of revenue rather than operating expenses. In addition, we also record the depreciation and amortization related to certain capitalized costs and CAD tools as cost of revenue. These cost allocations can cause variability between gross margin and operating expenses quarter-to-quarter, although they do not affect total operating results.

With that in mind, our Q4 non-GAAP operating expenses are expected to be approximately $3.2 million dollars plus or minus 5%. Based on this, and our lower than anticipated Q3 non-GAAP operating expenses, we are reducing our full year non-GAAP operating expense outlook to a range of $13.3 to $13.4 million dollars from our previous estimate of $13.7 to $13.9 million dollars.

This forecasted growth of approximately 12% in non-GAAP operating expenses over 2025 as compared to our outlook for 72% revenue growth illustrates the strong inherent leverage of our IP business model.

After interest and other income, we are forecasting fourth-quarter non-GAAP net income of approximately $1.3 million dollars, or approximately $0.07 cents per common share on both an outstanding and diluted basis. Based on this outlook, we also expect to achieve non-GAAP profitability for the second half of 2026.

The main difference between our GAAP and non-GAAP results is attributable to non-cash, stock-based compensation expense. In Q4 2026, we expect this compensation will be approximately $0.9 million dollars, consistent with Q3 2026.

As a reminder, there can be movement in our stock-based compensation during any period, and it may vary quarter to quarter based on the timing of new awards and vesting and forfeitures of outstanding awards.

As I noted earlier, our positive cash flow in Q3 benefitted from the timing of payments that were subsequently made in Q4. Due to the timing of these payments, we anticipate that we will be cash flow break-even for Q4. Inclusive of this projection, we expect to be cash-flow positive for full-year 2026 and close the year with a net cash balance of approximately $14.2 million dollars.

Our cash use will vary quarter to quarter based on the timing of certain payments and collection of receivables. During Q4 2026, the timing of the expected next tranche in our

U.S. Government contract and payments made for wafer tape-outs could impact our cash flow.

Thank you for your time, and with that, I will now turn the call back to Brian for his closing comments.

Thank you, Jim.

The entire QuickLogic team is proud of the strong top-line growth we are on track to deliver in 2026. What excites us most is the momentum we are building across all of our strategic initiatives including our forecasted record revenue from IP and related services in 2026.

This success is being driven by the inherent leverage of our IP business model, targeted investments and, of course, excellent execution by the QuickLogic team. We believe this momentum puts us in a strong position to build upon our success in 2027 and beyond.

Through customer contracts and internal investments, we have leveraged the benefits of our proprietary Australis IP Generator to develop eFPGA Hard IP for nine unique fabrication processes. With customer designs that financed most of this development moving into production, we expect a growing royalty revenue stream will contribute to our anticipated 2027 revenue growth.

In the IP business, success tends to build its own momentum. Prospective new customers see our design wins across a wide variety of fabrication processes and growing number of end markets, and that increases their interest in evaluating eFPGA technology for new designs and their confidence in selecting our eFPGA Hard IP solutions.

As it stands today, we are actively negotiating eFPGA Hard IP contracts with existing and potential new customers targeting defense, aerospace, satellite, data center, biomedical and industrial applications. We expect several of these to begin contributing to revenue in the first half of 2027.

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Through internal investments we introduced our first RadPro devices and corresponding RadPro Dev Kit to accelerate our penetration into the lucrative markets that require Rad Hard FPGA technology. These Dev Kits are being evaluated by a number of prospective customers. We believe this will lead to Storefront revenue beginning in late 2027.

In parallel, the next tranche of our U.S. Government contract that is anticipated this quarter, will fund two Tape-outs in early 2027. We believe there will be enough finished devices from these tape-outs for us to support initial production quantities through our Storefront initiative beginning in late 2027.

In addition to these Storefront opportunities, we have ongoing discussions with several other customers and partners to deliver customer ASICs and a variety of Chiplet designs through our Storefront initiative beginning in 2027. Beyond Storefront, we also expect to generate significant revenue from eFPGA Hard IP contracts associated with Chiplet designs in 2027.

Through our close work with two strategic customers and internal investments, we will introduce a new GlobalFoundries 12LP Eval Kit in Q4 to help customers accelerate evaluations for our embedded and discrete FPGA solutions. We believe this will yield new customer engagements and contract awards beginning in 2027.

Through the investments of a strategic customer, we have developed a small package option for our existing one-time-programmable mature devices that we believe will open a new multi-million-dollar market for QuickLogic with revenue contributions beginning in 2027.

With the progress we have made this year and with how well it has positioned us for continued profitable growth, I'm hopeful you will share my pride in the extraordinary execution by the QuickLogic team and my high level of optimism in our future success.

With this, we will now open the call for your questions.

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Conclusion

As always thanks for your continued support. We look forward to seeing many of you next week at the Craig Hallum Alpha Select Conference in NY. In December we will also be participating in the virtual Northland Growth Conference and holding meetings through Lake Street. And in January we will be back in New York for the Needham Conference.