Q2 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 Second 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 Elias Nader, Senior Vice President, 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, 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 new 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 by competitors; 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, corporate X account, Facebook page, 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.

Brian Faith: CEO

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

Since our last conference call, we have made significant progress towards achieving our 2026 goals and have narrowed our full-year growth outlook to a range of 70% to 80%. With this anticipated growth, we are continuing to model non-GAAP profitability and cash flow positive operations for the second half of 2026.

In addition to contributions from Storefront and RadPro®, we anticipate our second half growth will be driven in part by new customers and new market sectors including automotive, robotics and commercial satellite applications. We also believe there is good potential to sign an eFPGA IP Architectural license later this year.

The short story is, 2026 is on target to be a very successful year for QuickLogic and our accomplishments are positioning us well to continue our growth and market penetration trends in 2027 and beyond.

Before I go into what has elevated our confidence in full-year 2026 revenue growth, let's take a moment to touch on what weighed on Q2 and why we will guide for flat revenue in Q3.

We anticipated finalizing a 7-figure extension of an existing customer contract in late Q2. The revenue for this extension was forecasted to be recognized in Q2 and Q3. This contract extension has been delayed as the customer is reevaluating what functions it wants to put in embedded FPGA versus the functions that will be locked down in the fixed portion of its ASIC prior to finalizing the design.

This delay is the sole reason why Q2 revenue was at the low end of our guidance range and the primary reason why we will forecast flat Q3 revenue. We remain confident in securing this contract extension, but this delay removes it from our 2026 forecast.

In addition to this delayed contract extension, we are removing a commercial ASIC design targeting Intel® 18A from our second half 2026 forecast. Several uncertainties involving this design arose recently and in the best-case scenario, the eFPGA Hard IP contract for this ASIC will be a 2027 opportunity.

While these two changes lead us to forecast flat revenue for Q3, the value of contracts and orders that we have on the books and the progress we are realizing in other areas gives us the confidence to raise the low end of our full-year outlook.

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 revenue recognition from this contract will contribute a significant percentage of total Q4 revenue.

In addition to this, we have a sound base of mature product business, continued demand for RadPro Dev Kits and ongoing IP contracts that are already on the books scheduled for Q4.

Since our last conference call, we have continued to receive and deliver orders for our RadPro Dev Kit. We expect this trend to continue and with a number of evaluations already underway, we are very optimistic that we'll see initial Storefront device demand in 2027.

We are continuing our work on the contracts targeting GlobalFoundries 12LP process that we discussed in our last conference call. This includes the receipt of discrete FPGA Test Chips that we taped out for the contract with a $2.7 million ceiling value that we announced May 13th.

Within the scope of this contract, QuickLogic will be provided Test Chips that we will characterize and include in a new 12LP Eval Kit that is scheduled to release in Q4. 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 designs that we can provide as Storefront solutions.

Beyond these scheduled contributions is an anticipated extension of our 1 million LUT contract to target Intel 18A-P and pending contracts with new customers I mentioned earlier.

The majority of our development and customer design activity in Intel 18A has shifted to Intel 18A-P. Intel 18A-P is capable of delivering over 9% higher performance at isotropic power or more than 18% lower power at isotropic performance.

Given the fact we have been able to leverage the development work we completed for Intel 18A, the time and cost to develop eFPGA Hard IP for Intel 18A-P will be de minimis. As a matter of fact, we anticipate receiving a follow-on contract from the customer that funded our 1M LUT developments in Intel 18A for an Intel 18A-P implementation that we are targeting for Q4 delivery.

We will continue working with some customers on Intel 18A designs, but we expect most will transition to Intel 18A-P and that it will also be the focus for new design activity. We believe the release of Intel 18A-P will likely accelerate design activity and with that, opportunities for our eFPGA Hard IP.

In addition to the follow on 1M LUT contract, we are working closely with several new customers on ASIC designs that target the incorporation of our eFPGA Hard IP. Two of these potential contracts are in late-stage negotiations. The first is a design targeting automotive, industrial automation and robotic applications. The second is an international customer that is developing an ASIC for a LEO satellite application.

We are also working closely with a new customer that has interest in an eFPGA IP Architectural license.

Earlier this year, we were awarded a five-figure feasibility study contract to evaluate our eFPGA IP for a particular use-case. We have recently completed the contract, and the customer is now investigating if a custom implementation of our IP targeting its proprietary process will meet its PPA requirements. The initial results look promising and if successful, this will lead to an eFPGA IP Architectural License late this year.

As most of you are aware, QuickLogic's initial FPGA devices leveraged one-time-programmable Anti-fuse technology. This is the highly reliable technology used in the mature products we have been supplying to defense and aerospace contractors for decades.

Beyond the ongoing demand for our mature products, which have recently been designed into new programs, certain DIBs have shown an interest in our existing devices in smaller packages than we currently offer. One in particular has contracted with us to fund and qualify this smaller package for new designs.

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. We are working closely with this DIB and are in discussions with other DIBs and aerospace companies to fully leverage this opportunity.

In 2025 we launched our Digital Proof of Concept strategy as a very cost-effective way for both QuickLogic and prospective Chiplet customers to execute evaluations. This strategy has led to more than five active proposals that include Chiplets targeting GlobalFoundries 12LP, Intel 18A and Intel 18A-P fabrication processes.

The 12LP Eval Kit I mentioned earlier will enhance these efforts by enabling customers to rapidly move beyond software simulations to real hardware evaluations. I believe these and other proposals on the horizon will lead to meaningful Chiplet revenue beginning in 2027.

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

Elias Nader: CFO

Good Afternoon everyone!

Total second quarter revenue was $5.5 million. This was up 48.7% from Q2 2025 and up 8.5% from Q1 2026. Due solely to a delay in the extension of an existing contract that Brian previously discussed, this was below the midpoint of our guidance.

New product revenue in Q2 was $4.7 million and mature product revenue was $0.8 million.

New product revenue was up 59.7% from Q2 2025 and up 8.6% compared to Q1 2026. Mature product revenue was up 6.9% compared to Q2 2025 and up 8.0% from Q1 2026.

Non-GAAP gross margin in Q2 was 46.8%. This was above the midpoint of our 42% outlook and a significant increase over our reported 31.0% in Q2 2025 and 39.6% in Q1 2026.

Non-GAAP operating expenses in Q2 were approximately $3.5 million. Due to the allocations of R&D costs between op/ex and COGS and new hires, this was slightly above our $3.3 million outlook. This compares to $2.5 million in Q2 2025 and $3.2 million in Q1 2026.

Q2 2026 Non-GAAP net loss was $1.1 million, or a loss of $0.06 per share. This compares to a non-GAAP net loss of $1.5 million, or a loss of $0.09 per share in Q2 2025, and a non-GAAP net loss of $1.3 million, or a loss of $0.08 cents per share, in the first quarter of fiscal 2026.

The difference between our GAAP and non-GAAP results is primarily related to non-cash stock-based compensation expenses, restructuring charges and the removal of a significant non-recurring gain.

Stock based compensation for Q2 was $753 thousand compared to outlook of $900 thousand. Stock based compensation was $843 thousand in Q2 2025 and $858 thousand in Q1 2026. Impairment charges were $0 in Q2 2026, compared with $300 thousand in Q2 2025 and $0 in Q1 2026.

Restructuring costs were $16 thousand in Q2 2026, compared with $21 thousand in Q2 2025 and $11 thousand in Q1 2026. We also removed a non-recurring gain of $950 thousand that was included in our GAAP results in Q2 2026. There were no non-recurring gains in Q2 2025 or Q1 2026.

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

At the close of Q2, excluding a $5 million drawdown from our line of credit, net cash was $13.5 million. This compares favorably with our projection of slightly less than $12 million and with the $3.8 million in net cash we reported at the close of Q4 2025. This increase of $9.7 million in net cash through the first half of fiscal 2026 is inclusive of $9.8 million raised with our ATM prior to our last conference call.

Now moving to our guidance and outlook for our third fiscal quarter, which will end on September 27, 2026.

Based on backlog and customer forecasts, our total revenue guidance for Q3 is $5.5 million plus or minus 10%. We expect total revenue to be comprised of $4.7 million in new product revenue and $0.8 million in mature product revenue.

Earlier this year, we anticipated an increase in second half mature revenue. However, based on current forecasts, we are now estimating full-year 2026 mature revenue will be flat with 2025 at approximately $3.3 million.

Based on the anticipated Q3 revenue mix, non-GAAP gross margin for the third quarter is expected to be approximately 47% plus or minus 5%. For the full year, we are modeling a non-GAAP gross profit margin of approximately 51%.

Please note that given the nature of our industry, we may occasionally need to classify certain expenses to COGS versus op/ex or capitalize certain costs. These classifications are related to labor and tooling for our IP contracts. This may cause variability in our quarterly gross margins and operating expenses that will usually balance out on the operating line.

With that in mind, our Q3 non-GAAP operating expenses are expected to be approximately $3.6 million plus or minus 5%. Due to the variabilities in the allocations of R&D costs between op/ex and COGS, and new hires, we are raising our full year outlook for non-GAAP op/ex to a range of $13.7 million to $13.9 million.

This forecasted growth of approximately 17% in non-GAAP op/ex over 2025 as compared to our outlook for 70% to 80% revenue growth in 2026 illustrates the strong inherent leverage of our business model.

After interest and other income, we are forecasting a Q3 net loss of about $900 thousand or a loss of approximately $0.05 per share. Based on our current outlook, we still anticipate non-GAAP profitability for the second half of 2026.

The main difference between our GAAP and non-GAAP results is related to non-cash, stock-based compensation expenses. In Q3, we expect this compensation will be approximately $900 thousand. This compares to $828 thousand in Q3 2025 and $753 thousand in Q2 2026.

As a reminder, there will be movement in our stock-based compensation during the year, and it may vary quarter to quarter based on the timing of grants.

We anticipate Q3 cash use of approximately $400 thousand. With this, we expect to close Q3 with a net cash balance that is slightly over $13 million.

Please note that our cash use could vary based on the timing of certain payments and receipts from contracts during the quarter. Based on our current outlook, we anticipate positive cash flow during the second half of 2026.

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

Thank you, Elias.

2026 is shaping up to be a very good year for QuickLogic.

Based on contracts and orders we have on the books, and the status of our negotiations on a couple of new contracts, we have narrowed our full-year growth outlook to 70% to 80%. With this, we are modeling non-GAAP profitability and cash flow positive operations for the second half of 2026.

As important as this is, I want to emphasize in parallel we have laid the groundwork for continued growth and profitability in 2027 and beyond.

Earlier this year, we forecasted three completed tape-outs in 2026. The first was completed and we are scheduled to receive an allotment of Test Chips that we will incorporate in a 12LP Eval Kit. This will help our customers accelerate evaluations and we believe will lead to new designs that we can Storefront as either discrete devices or chiplets.

In addition to this, we have a number of other Chiplet opportunities in the works that we believe will lead to new contracts and Storefront orders beginning in late 2027.

We have two more tape-outs scheduled for late 2026. In one case we will have access to enough devices to support initial production orders that we can supply through our Storefront initiative beginning in 2027.

We are continuing to support demand for our RadPro Eval Kit and anticipate new orders through the second half of 2026. We are optimistic this will lead to initial Storefront orders beginning in 2027.

We are also optimistic that we will secure a contract for our second ever eFPGA IP Architectural license in 2026 and work closely with the end customer as it develops a device targeting its proprietary fabrication process in 2027.

We have recently won two new designs for our existing mature products and have been awarded a contract to qualify a new small package option. We believe this will open a multi-million-dollar opportunity to expand into new designs beginning in 2027.

With these many accomplishments, I'm hopeful you can share my pride in the extraordinary execution by the QuickLogic team and my high level of optimism in our future growth.

Thank you and let's open the call for questions.

You can catch us tomorrow at the Canaccord Genuity Conference in Boston. We are presenting at 2:30pm Eastern with a webcast available.

We are also participating in the Needham Virtual Semiconductor Conference next week, the Lake Street Conference in September, and the CEO Summit at SemiCon West in October.

Thank you and have a good day!

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