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9amET

Operator

Good morning, everyone, and welcome to CPS Technologies Second Quarter Earnings Call. At this time, all participants have been placed on a listen-only mode, and we will open the floor for questions following the presentation.

It is now my pleasure to turn the floor over to your host, Chuck Griffith of CPS Technologies. Chuck, the floor is yours.

Chuck Griffith

Thank you, Jenny, and good morning, everyone. Today, I'm joined by Brian Mackey, our President and CEO, and we look forward to discussing our second quarter results with you.

But first, Chris Witty, our Investment Relations Advisor, will provide a brief safe harbor statement. Chris?

Chris Witty

Thanks, Chuck, and good morning, everyone. Before we begin the business portion of today's call, I would like to point out that statements in this conference call that are not strictly historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and should be considered as subject to the many uncertainties that exist in CPS' operations and environment.

These uncertainties include, but are not limited to, the ongoing conflicts in Ukraine and Israel, other geopolitical events, economic conditions, market demands, and competitive factors. Such factors could cause actual results to differ materially from those in any forward-looking statement. Additional information can be found in our filings with the SEC.

Now, I would turn the call over to Brian to offer his perspective on the quarter, after which, Chuck will review the financial results in greater detail. Brian?

Brian Mackey

Thanks, Chris, and good morning, everyone. I'm pleased to announce that for the second consecutive quarter, we have established a new quarterly revenue record for the company at \$8.1 million for Q2. Not only is this up quite significantly year-over-year, but it represents 8% growth sequentially from the first quarter of this year. We continue to execute across our various products and are focused on fulfilling



strong demand for the remainder of this year and beyond. We're on track for our best revenue year ever, and as I'll explain further in a moment, are dedicated to also improving our overall bottom-line results.

We're excited by all aspects of our operating environment, including ongoing strong demand, increased defense spending, a growing portfolio of marketable technologies often created with external funding, and a highly capable team with the demonstrated ability to address our customers' material science challenges.

I'll now turn the call over to Chuck to provide further details about our financial results, after which I will provide some additional perspective. Chuck?

Chuck Griffith

Thanks, Brian. We're very pleased with our second consecutive strong quarter of 2025, which is further evidence of our effective approach to growing CPS. The company's revenue for the quarter totaled a record \$8.1 million compared with \$5.0 million in Q2 of fiscal 2024, an increase of 61%. In the year-over-year comparison, most of the variance was driven by strong customer demand combined with our improved ability to increase manufacturing output, including the addition of a third shift of production. We continue to broaden the company's core product offerings with new and existing customers, and we anticipate continued strong revenue results.

We reported a gross profit in the second quarter of \$1.3 million or approximately 16.5% of sales compared with a gross loss of \$0.2 million last year. The increase was due to the higher revenue and greater manufacturing efficiencies. While pleased with the much improved margins year-over-year, we remain focused on growing our profitability going forward. We believe the coming quarters will show the results of our efforts to further improve manufacturing efficiencies, increase capacity utilization, and bolster return on assets.

Selling, general and administrative expenses totaled \$1.2 million in the second quarter versus \$1.1 million in the prior year period. We continue to manage our costs even while ramping up production output and investing for growth. The company posted an operating profit of about \$137,000 in the second quarter compared with an operating loss of approximately \$1.3 million last year, and we reported net income of just over \$100,000 or \$0.01 per share versus a net loss of about \$0.9 million or \$0.07 per share in Q2 of fiscal 2024.

Turning to the balance sheet. We ended the quarter with \$2.4 million of cash and \$1.0 million in marketable securities versus \$3.3 million in cash and \$1.0 million in marketable securities at the end of 2024. A more significance is that our cash and marketable securities increased by almost \$0.5 million from the end of Q1 2025 to the end of Q2 2025.

Trade accounts receivable totaled \$5.6 million as of June 28, 2025 versus \$4.9 million as of December 28, 2024. Inventories rose to \$5.2 million at the end of the second quarter as we produced more to meet our customers' growing demand, compared with \$4.3 million at the start of the fiscal year.



Turning to the liability side. Payables and accruals totaled \$4.3 million at the end of the second quarter versus \$4.0 million at the end or as of December 28, 2024.

Now, Brian will provide a more in-depth discussion of the period.

Brian Mackey

Thank you, Chuck. We are in the middle of CPS' best revenue year ever, but we also know that even better days lie ahead. Manufacturing capacity has increased dramatically over the last several quarters in response to increased demand. New technologies are being brought to market, and we continue to land new development contracts as we develop innovative solutions to real-world problems.

As previously announced, we recently won our fourth new SBIR development contract of the year, continuing our partnership with the U.S. Navy to support next-generation defense solutions. This particular Phase I SBIR with funding from the U.S. Navy is focused on reducing the weight of the Amphibious Combat Vehicle, or ACV, a vital transport platform for the U.S. Marine Corps operations. This is a 6-month award worth \$140,000, with an optional 6-month extension at the end of the period of performance worth another \$100,000.

Given our expertise in advanced composites and engineering, we will be evaluating various vehicle components, such as hatches, armor, suspensions, et cetera, to identify opportunities for redesign with lightweight alternatives to improve fuel efficiency, buoyancy, and operational range. This evaluation is applicable to all variants of the ACV whose designs have significant overlap of their constituent parts. It's a great contract that can lead to additional work going forward, given the military's interest in making vehicles lighter, more durable, and fuel efficient.

This project will be led by Matthew Karnick, one of our material scientists and now a 2-time SBIR award recipient, who has a strong background in composite innovation and structural optimization. I'd like to publicly thank Matthew for his great work at CPS over the last 3 years.

In addition, we also recently announced the receipt of our first purchase order for AlMax™ materials. As a reminder, last year we became the exclusive global licensee of Fiber-Reinforced Aluminum Composites, originally developed and patented by Triton Systems. We're now making headway commercializing this technology under the AlMax™ brand and are excited to announce this initial contract.

Relative to aluminum, AlMax™ offers superior performance, including exceptional wear resistance and greater strength at both room temperature as well as elevated temperatures. Indeed, we are seeing expanded interest across multiple large addressable markets for the unique performance advantages that AlMax™ provides. Customer feedback has been highly encouraging. This first order, from a domestic manufacturer, signals promising commercial traction and an important milestone as we pursue a variety of intriguing opportunities for commercializing this material.



Additionally, we are now executing two distinct Phase I SBIR programs, one funded by the Army and one funded by the Navy, targeting the ACV, where these AlMax™ materials may offer key advantages for improving the operability of military ground vehicles.

Together, the new SBIR contract and AlMax™'s first commercial order underscore our ongoing commitment to innovation in material science and our mission to deliver practical, mission-ready solutions for government and industrial customers alike. Technical work on our other funded efforts continues. Though, I will not go into detail on each of them here, I will note that we recently filed a non-provisional patent application for our radiation shielding material.

We are less than halfway through the 2-year development effort for radiation shielding that is funded by the Department of Energy, and we continue to pursue relevant commercial opportunities as development work continues in parallel. This recent patent filing provides necessary protection for the intellectual property developed by CPS. These development activities build upon very positive growth outlook.

At the same time, we are committed to expanding our gross margins and improving bottom-line results. We are dedicated to increasing manufacturing efficiencies, which ultimately generate stronger profitability and better returns for our shareholders. This is a key area of focus for the entire company.

We have a number of initiatives underway that we expect will have a positive impact on margins. These range from smaller cost down initiatives to larger modernization programs, each with its own timeline for execution and implementation, and their impact on the income statement will be realized as each is incorporated into our daily operational activities.

We have faced some headwinds in our ability to improve margins in the near-term, including in the form of tariffs. While we source many of our raw materials domestically, tariffs can nevertheless have an impact on domestic pricing. Domestic producers in some cases can raise prices if their competitors who import goods are compelled to do so due to tariffs. Although the impact of these tariffs is not a severe threat, it does work against our efforts to improve margins.

The opportunity for future armor orders remains possible given the strong track record that has been built with the U.S. Navy by CPS and our key partner, Kinetic Protection, or KP. The federal budget for fiscal 2026 prioritizes defense spending, and our ballistic solutions address a large market across various types of ships as well as other military applications. Productive discussions are ongoing between CPS, KP, and relevant members of the Department of Defense, and we remain optimistic about the opportunity for additional orders in the quarters to come.

With regard to our SBIR portfolio, including the new program I spoke of earlier, we now have four active Phase Is, two active Phase IIs, as well as non-SBIR funding from the U.S. Naval Air Command at China Lake. Now with seven active programs, this provides another significant milestone for CPS in terms of the number of externally funded projects underway.



Aside from one DOE program for radiation shielding, all of these are funded by the Department of Defense, and given priorities of budget in Congress, these represent real opportunities for further military R&D and commercialization upon successful outcomes of the funded research.

As always, we continue to pursue additional SBIR contracts where we believe we can provide unique technical solutions that also offer commercialization potential for CPS. Demand remains strong for our core products, which includes both metal matrix composite and hermetic packaging, including our newly added capability of five-axis machining. We have a solid backlog in hand and will continue to execute throughout the year and beyond to meet the robust demand we are experiencing from both existing and new customers.

In closing, we're excited by the accomplishments we have consistently demonstrated thus far in 2025 and look forward to even better days ahead. 15 months ago, our armor shipments ended as we fulfilled that contract. Since then, we have more than made up for the loss of revenue through the growth of our other products and with additional revenue from externally funded development contracts. While actively pursuing additional armor rewards, we are leveraging our unique capabilities in radiation shielding, hermetic packaging, AlMax™ composites, and a host of SBIR awards to accelerate growth going forward.

And as I mentioned earlier, we are committed to expanding margins and improving the company's underlying performance, leading to greater profitability and cash flow in the quarters to come. We're proud of everything our team has done to put us in position for our best revenue year ever. We are confident that our commitment to growth through innovation, commercialization of our technologies, and ongoing operational improvements will provide enhanced returns to our investors.

At this point, we can open up the call for questions. Jenny?

Operator

Thank you very much. We're now opening the floor for questions. [Operator Instructions] Thank you. Your first question is coming from Michael Legg of Ladenburg. Michael, your line is live.

Q: Thanks. Good morning. Congratulations on the quarter. Could you talk a little bit about your visibility into future revenues? What type of pipeline you may have and then just kind of get into the sales cycle and how it all develops? Thanks.

Brian Mackey

I think I'll start. Thanks, Michael. I think one aspect of it is the cycle of ordering which our different customers execute on. Some of them are just a couple of months out, so in the near-term it's very clear to us, others are sort of in the 4- to 6-month timeframe, where they're adding to our order book at that window. And on a less frequent basis, we'll have an order up to 12 months in advance. Collectively, I would say our window is 4 to 6 months on average and we do continue to see strong demand that we've seen throughout this year so far.



Chuck, do you want to add to that?

Chuck Griffith

I think you've pretty much covered it, yeah?

Q: Okay. Great. Thank you very much.

Operator

Thank you very much. And your next question is coming from Ron Richards, and he's a private investor. Ron, your line is live.

Q: Good morning, guys. Congratulations on the revenues. It's good to see. I was wondering as far as the build out in data centers, does CPS expect all that money spending in that area is going to benefit them somewhere down the line?

Brian Mackey

Yeah, thanks for the question. Good morning. It's certainly an area of great interest to us which has significant opportunity for us. These high voltage DC lines are HVDC, there's a number of projects that are cropping up around the world such as Europe. There's a number of things that are active that are very relevant to CPS. In the past, when we've been asked about data centers, our answer has been that they're not particularly relevant to CPS.

When we are adding our base plate to our customers' high power electronics, it's typically necessary because those electronics are switching on and off with generally high frequencies. So you think of a subway car or a train that's starting and stopping or a wind turbine starting and stopping, is generating heat in the electronics through that starting and stopping and it requires our base plate to help dissipate that heat, but stay in contact with those electronics through matching of the coefficient of thermal expansion.

Those data centers are typically on and hot 24 hours a day, which means they're typically not relevant for our solution. However, the HVDC projects which are actively underway and being planned include one of the sources of this growing demand for electricity to satisfy that demand being wind turbines, wind farms, whether over land or over water, and when you're generating electricity with those types of solutions, those wind farms do need base plates like ours to address that switching and therefore that heat.

So, this is an additive opportunity related to HVDC that is completely separate from our core markets such as traction or transportation trains, subway cars, et cetera. While we've always had sales into the wind turbine market, this is a completely new opportunity that we expect to play out over the next couple of years.

Q: Okay. Thank you.



Operator

Thank you very much. [Operator Instructions] Our next question is coming from Steven Fossi. Steven is a private investor. Your line is live.

Q: Hi, good morning.

Brian Mackey

Good morning.

Q: Yes, good morning. As I recall, you guys had a radiation shielding contract that was terminated. Have you had any inkling that might be reconstituted, perhaps in a different way?

Brian Mackey

Regarding that specific contract, we had started executing on that contract. The very high-level program was canceled. We were uncertain for a while whether that would be reinstituted. It has now become clear that it will not. So that particular instance has tailed off. But other opportunities that we're pursuing are under active discussions, and that remains an area where we're very optimistic about our future with radiation shielding. But that particular PO has been fully canceled, and we are being paid for the work done prior to cancellation.

Q: Yeah, sure. Okay. Thank you.

Operator

Thank you very much. [Operator Instructions] We do have another question come in, and it's from Steven Fossi. Steven, your line is live.

Q: Hi, again. So you guys have added a third shift. Are you see any capacity constraints in the near future with the higher run rate you've had?

Brian Mackey

Yeah, the third shift was added roughly Labor Day of last year on the metal matrix composite side. And there's a number of things underway that are intended to address the growing demand that we're seeing from our customers. So, it is a challenge for us, but there's also plans underway to address that. The third shift was the easiest way to add capacity quickly and that demand does remain robust going forward.

And, as I mentioned in the earlier call, we anticipate significant opportunities. So it is a key point of discussion strategically for best way for us to address those growing demands. Good problem to have. We know how to make these products and we're seeing strong demand going forward. But there are things



underway to address that need, because it is an area of growth for us that we anticipate for some time to come.

Q: Yeah. Great. Thank you. And, I guess if I could follow-up on one last bit about the Fiber-Reinforced Aluminum. Do you guys – so you’ve licensed it, do you bring proprietary technology to the materials you’re doing that are beyond what you’re licensing?

Brian Mackey

Yeah, there are two elements of that. So, yeah, we are the exclusive global licensee of the technologies, the material, the Fiber-Reinforced Aluminum developed by Triton Systems, which they patented and developed. So, with our metal matrix composite know-how, we’re the right place for that to take that forward. That’s why we were able to work out that agreement. So, what we bring to that is all the other things that we were able to do.

So that core material is developed by them is one thing that we are making in our facility today. Over the past year, we’ve validated the ability to make the same product that they made and match the data sheet that they made so that when we’re talking to customers, they know that this is indeed what we claim it to be. The added layer on top of that is potential combinations or overlap. For example, if you need a multi-layer material to satisfy a particular need, whether it’s high thermal challenges or even maybe a ballistic solution or something related to these vehicles for the military.

We now have that in our portfolio of products that can then potentially be combined or improved upon that will play out going forward. So, it fits very well in our portfolio and we may well see things that we tweak or improve upon. But even fundamentally, that AlMax™ material in and of itself is generating significant interest.

Q: Great. Thank you.

Operator

Thank you very much. While there are no further callers in the queue, I will now hand back over to Brian for closing remarks.

Brian Mackey

Okay. Thanks everyone for joining us today and your ongoing interest in CPS. We look forward to speaking with you again after the end of the third quarter. If you have any questions in the meantime, please reach out to our Investor Relations Advisor. Thank you.

Operator

Thank you very much, everyone. This does conclude today’s conference call. You may disconnect your phone lines at this time and have a wonderful day. We thank you for your participation.