



Good day, ladies and gentlemen, and welcome to the CPS Technologies Third Quarter 2025 Earnings Conference Call. At this time, all participants are on a listen-only mode, and the floor will be open for your questions and comments following the presentation.

It is now my pleasure to turn the floor over to your host, Mr. Chuck Griffith. Sir, the floor is yours.

Chuck Griffith

Thank you, Ali. Good morning, everyone. Today, I'm joined by Brian Mackey, our President and CEO. We look forward to discussing our third quarter results with you. But first, Chris Witty, our Investor 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 conflict in Ukraine, other geopolitical events, economic conditions, including the current government shutdown, 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'll 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

Thank you, Chris, and good morning, everyone. Our last few months at CPS have been very productive. For the third consecutive quarter, we've delivered record revenue for our company at \$8.8 million, with greater shipping volumes in response to increased customer demand. And that growing demand continues, as indicated by the order we announced earlier this week at \$15.5 million for our power module components.

During the quarter, we announced our fifth and sixth federally funded research contracts of 2025. We are now executing three Phase II SBIR programs simultaneously. Additionally, as Chuck will review in a moment, we completed a successful secondary offering that brought in over \$9.5 million in net proceeds, including share purchases by members of the management team, including both Chuck and myself, as well as several members of our Board of Directors.

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

Chuck Griffith

Thanks, Brian. The third quarter was one of many accomplishments, which we're excited to share with you today. CPS reported total revenue of \$8.8 million for the period, a new record, compared with \$4.2 million in the third quarter of fiscal 2024, more than doubling year-over-year. This represents roughly 9% revenue growth compared to the second quarter of 2025, which was also a record.

Most of the improvement was driven by continued strong demand and associated increased shipments as a result of increased capacity utilization and manufacturing throughput. Our overall acceleration and growth played a direct role in our decision to raise money in preparation for a move to a larger and more efficient manufacturing location. This will provide additional room to increase our



production levels as demand dictates, which we see happening in the quarters and years to come. I'll speak to this more in a moment.

We reported gross profit in the third quarter of \$1.5 million or approximately 17.1% of sales compared with a gross loss of \$0.5 million last year. As in other recent quarters, the increase year-over-year was due to higher revenue and improved manufacturing efficiencies. Our margins continue to make modest improvements sequentially and we remain focused on raising them further as we increase productivity and improve asset utilization.

Selling, general and administrative expenses totaled \$1.2 million for the third quarter versus \$1.0 million in the prior year. We continue to manage our costs even while ramping up production and investing for growth. SG&A has remained relatively consistent throughout this fiscal year.

The company posted an operating profit of about \$276,000 in the third quarter compared with an operating loss of approximately \$1.5 million last year. And we reported net income of just over \$200,000 or \$0.01 per share, versus a net loss of about \$1 million or \$0.07 per share in Q3 of fiscal 2024.

Turning to the balance sheet. We ended the quarter with \$3.2 million of cash and \$1.1 million in marketable securities, versus \$3.3 million in cash and \$1.0 million in marketable securities at the beginning of 2025. Just after the end of the third quarter, we completed a public offering, which as stated earlier, raised over \$9.5 million in net proceeds. While this capital will be broadly used for general corporate purposes, the key impetus for this raise was a planned move to a manufacturing facility nearby that will provide for long-term growth and product expansion.

An active search is underway to identify the best site to suit our needs. We anticipate the location having nearly double the usable floor space. We expect to complete the move during calendar year 2026. The extra capacity should address CPS' manufacturing needs for the foreseeable future as we continue to scale the business.



I'd also like to take a moment to publicly thank the folks at Roth Capital for providing the investment banking services. Their help along with the efforts of the entire team, including our accountants, our attorneys, et cetera, were invaluable in helping us with this capital raise.

Trade accounts receivable totaled \$5.4 million as of September 27, 2025, versus \$4.9 million as of December 28, 2024. Inventories rose to \$5.4 million at the end of the third quarter, reflecting increased production and customer demand compared with \$4.3 million at the start of the fiscal year.

Turning to the liability side. Payables and accruals totaled \$4.8 million versus \$4.0 million as of December 28, 2024.

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

Brian Mackey

Thanks, Chuck. After three consecutive quarters of record revenue and improving underlying performance, we're very confident in the future and what we need to do to take CPS to the next level in its growth trajectory. Key among these is expanding our manufacturing capabilities to meet rising demand as well as the critical element of improving our operational efficiencies. As Chuck just mentioned, the clear need for additional space drove the decision to raise capital.

In the months to come, we intend to move into a new larger production center, where we will be better prepared to meet the higher demand we expect in the months and years to come. This includes meeting the growing needs of our current customer base, allowing floor space for new products that are being brought to market, and expanding our product development capabilities in response to increased federal funding as we continue to build out our product pipeline. This is a very exciting time for CPS, and we are in great shape to take advantage of the various opportunities that lie ahead.



That said, while Q4 will be strong, it is unlikely due to holidays, planned plant shutdowns at some of our vendors and customers, et cetera, for our fourth quarter results to achieve another quarter of record revenue. This is generally consistent with past years, and just as 2025 is a standout year in terms of performance, we anticipate fiscal 2026 to remain strong as well.

We're also very pleased with the recently announced new contract, valued at approximately \$15.5 million from a longstanding multinational semiconductor manufacturer. Under the terms of the agreement, CPS will deliver advanced power module components over a 12-month period, which began October 1, 2025.

The order represents a 16.5% year-over-year increase in value, reflecting expanding demand for CPS' high-performance application-specific solutions. These components will be integrated into systems supporting high speed rail, as well as energy and grid infrastructure supporting the dramatic growth in demand for electricity from data centers and other applications. This reflects continued strong momentum in our aluminum silicon carbide product line.

At the same time, we continue to have great success in winning new research contracts from federal government. This enables us to leverage our existing intellectual property to address well-defined customer requirements with significant commercialization potential. For example, in the second half of September, we announced our latest Phase II Small Business Technology Transfer, or STTR, contract with the U.S. Army.

This funded program provides CPS with \$1.15 million over a 24-month period to continue the development of a 40-millimeter controlled fragmentation warhead. For this application, a high-density material can produce smaller fragments with higher kinetic energy. So, typically, tungsten-heavy alloy materials are ideal. However, traditional manufacturing and machining methods would be impractical due to high strength, brittleness, and hardness of these materials.



During Phase I, CPS successfully demonstrated results fabricating a tungsten-heavy alloy warhead using our proprietary QuickSet Injection Molding process. Initial tests delivered results consistent with the technical requirements of the Army. These preliminary results will be expanded upon during Phase II to improve fragmentation, develop and standardize design guidelines, and move fabrication from the bench to low-level production. The near-term goal is to fabricate a design that satisfies the Army's performance criteria for the Mark 19 40-millimeter warhead.

The New Mexico Institute of Mining and Technology, Energetic Materials Research and Testing Center, or EMRTC, will perform testing to evaluate performance and improve design parameters. EMRTC is a premier research and testing facility specializing in the study of energetic materials and explosives.

The intent of the Phase II program is to establish the foundation for a robust, low-cost, high-volume manufacturing process using tungsten-heavy alloys, and subsequently explore volume manufacturing opportunities. Additionally, we also have the intent to explore other munition sizes, fabricating with other high-density materials, and pursuing other applications that require a complex shape made from small-area, high-density materials.

It's important to note this project leverages technology CPS has developed over several decades, namely our Quickset Injection Molding process, which we have used to produce literally millions of commercial units, including our AlSiC base plates. Dr. Mark Occhionero, whose expertise has been fundamental to the development and application of these techniques at CPS for over 40 years, will continue to lead this STTR effort.

The novel application of these production methods provides significant new growth opportunities for CPS. This path is very well aligned with our vision to solve our customers' toughest materials challenges through the targeted application of our unique intellectual property.



Also in September, we announced a new Phase I SBIR contract from the Department of Energy. This new contract provides approximately \$125,000 in funding from the Office of Nuclear Energy for a research effort that extends until April of next year. CPS is developing a high-performance, sustainable impact limiter using novel construction methods and materials to enhance the safety of transporting spent nuclear fuel and high-level radioactive waste. This work runs in parallel to the ongoing Phase II research funding we have from the DOE for modular radiation shielding.

In total, we have now received one Phase II award and five Phase I awards in 2025 alone. It's great to see increasing interest in our technology from an expanding array of agencies and the various departments within them. We continue to work on other SBIRs already underway, including Phase I with the U.S. Navy to reduce weight of the Marine Corps Amphibious Combat Vehicle, a Phase II for the development of novel metal matrix composites for thermal energy storage to address the requirements of NAVAIR's Advanced Anti-Radiation Guided Missile: Extended Range program, and a DOE Phase II award for the development effort of modular radiation shielding for transportation and use of micro reactors as well as non-SBIR funding from the U.S. Naval Air Command at China Lake.

Our technical team continues to advance these programs to meet the specifications of these various customers. As always, we continue to pursue additional SBIR contracts, where we believe we can provide a unique technical solution that also offers commercialization potential for the company.

Regarding the ongoing federal government shutdown, we continue to monitor the impact on CPS, which to date has been rather muted. For federally funded research projects that are already under contract, our development work continues. In some cases, the federal personnel we interact with or the contractors that support them are currently unavailable. However, thus far this has not had a significant impact on our work and it has not interfered with our ability to be paid when we submit invoices under active contract.



If there is ultimately a more meaningful negative impact to CPS from the shutdown, it could be related to slow activity on new proposals where CPS has already submitted and which are now under review, or new research topics that the government was planning to publish in the near future. There may or may not be some delays in these areas depending on the length of the shutdown. The impact is difficult to quantify, but overall it has thus far not had a significant impact on us. Our manufacturing capacity has increased significantly over the last several quarters in response to growing demand and we continue to land new development contracts as we innovate solutions to real world problems.

At the same time, as Chuck mentioned, we are committed to improving gross margins and overall bottom line results. We're endeavoring to increase both operating efficiencies and output and we believe that with our new \$15.5 million power module contract, margins will continue to improve in the quarters to come.

The outlook for the coming year has never been stronger and we look forward to leveraging our new manufacturing operations after a new site for our company is identified. As always, we remain optimistic regarding future armor orders, but the near-term outlook remains uncertain due to the government shutdown.

Generally, we believe current military spending trends are working in our favor. We will continue to work with Kinetic Protection, our partner in this area, regarding naval vessel procurement decisions or other applications across the defense spectrum, particularly once the federal government is back to work.

Additionally, the company is accelerating its efforts to bring new and proprietary products to market, such as our radiation shielding solution and our AlMax materials. In fact, during the quarter, we fulfilled our first commercial order for AlMax. We have also recently expanded our technical team. Specifically, we added a manufacturing engineer to our production staff and another Ph.D. to our R&D team. Although these new hires have a negative effect on our margins in the short-term, we see the additions of these key personnel as investments in the continued growth of CPS.



In summary, I believe the future has never looked better since my arrival here 2 years ago. Given ongoing strong demand, including our new \$15.5 million contract, an expanding array of research contracts, a growing portfolio of technical solutions that address customer requirements, and an upgraded production facility on the horizon, as well as a vastly improved balance sheet, which will provide the critical resources necessary to improve our performance and expand our capabilities.

We are ready to take CPS to the next level in terms of revenue, overall performance, and return for our investors. We've come a very long way in a short period of time, and compared to 2024, the company has transformed into a larger, faster-growing, more relevant organization with unique capabilities for both industry and government. The future is very bright, and I'm incredibly proud of everything our team accomplished this year.

We can now open the call up for investors. Ali, I'll pass it back to you.

Operator

Thank you, sir. Ladies and gentlemen, the floor is open for your questions. [Operator Instructions] Thank you. Our first question is coming from Chip Moore with Roth. Your line is live.

Q: Hi, good morning. Hey, Brian and Chuck.

Brian Mackey

Good morning.

Chuck Griffith

Hi.



Q: Hey, congratulations on that nice new order with your longstanding customer. Maybe you can expand a bit on what you're seeing from potential other players in the power module space, large and small?

Brian Mackey

Yeah, I think as we've looked at our revenue growth throughout the current year, we look at various different customers in both metal matrix composites that you referred to and hermetic packaging. And what we've generally seen is growth across the board. The large customers are ordering more, as indicated in that recent contract, medium customers, smaller customers, the demand has picked up. So for existing customers, they're ordering more.

Additionally, we've added some new customers to the portfolio, but there's not any singular element that has driven that growth, either in the past bringing us to today or what we're hearing in discussions with these customers going forward. It's quite broad.

Q: And to maybe follow-up, Brian, as you think about adding capacity and space, just can you give us a little more insight on how you plan that move? Do you build inventories for key customers? How will you manage that and deal with the transition when it comes?

Brian Mackey

Right. Yeah, it's all the above. Obviously, a move is fundamentally disruptive. So, what we're developing now are detailed plans to execute a staged move, while having things in place that mitigate that, such as inventories built up here, inventories built up downstream of CPS to soften the blow, so to speak.

But what we intend to do is outfit the new facility for our needs. We have hydrogen lines, oxygen lines, et cetera. And then once we're ready to affect the move, it would essentially be a work cell at a time. So, it would be sort of a leapfrog situation



where temporarily we'd be occupying two buildings, but be sequentially moving more and more of the company to the new facility until we complete that process, and all of that would occur during calendar year 2026.

Q: Got it. Very helpful. And maybe just for me, maybe call it the shots on goal, a lot of interesting opportunities, any that you're more excited about. And then, on the radiation shielding in particular, the Army just came out with the JANUS program. I'm sure you saw. Just any thoughts on potential there? Thanks.

Brian Mackey

Yeah. Starting with the radiation shielding, we definitely see opportunities there. We know that we have a solution that's of interest to users and customers that are in the nuclear field, so those discussions are continuing. There's adoption discussions and testing conversations that are naturally part of that process, as you can imagine. So that's an area of great interest for us, but as well some of these other things. I mean, the AlMax material has broad applications, because of its material properties, so we have interesting discussions going on there.

The one I highlighted a few minutes ago regarding the controlled fragmentation warhead, that's early in Phase II, we're just maybe a month or so into the Phase II 2-year program, but we know that was funded because the Army is excited about what they saw. They have a real need for that product, but it's simply impractical to machine it, which would be really the only alternative way to get that outcome. So, we're excited to see where that goes as we continue to push that forward and more specifically meet the exact requirements that they've outlined. That could have significant potential over time for us as well.

Q: Great. I'll hop back in queue. Thanks very much.

Brian Mackey

Sure.



Operator

Thank you. [Operator Instructions] Our next question is coming from JP Geygan with Global Value Investment Corp. Your line is live.

Q: Good morning, gentlemen, and congratulations on a solid quarter and the recent contracts announcement. Can you help me understand how revenue under this recently announced contract will be recognized, whether that will be fairly level over the contract term or if some of the volumes will be back loaded to be fulfilled once you move to your larger facility?

Chuck Griffith

It should be relatively stable throughout the period of the contract. I think that as Brian mentioned earlier, during the actual move, we'll have tried to build up inventories beforehand so that the customer will not see an impact from the move. Typically, with this particular customer, the product is sent to an outside plater where it's plated; and then shipped to the customers, they need the products. So, we'll be building up inventory both here in the U.S. as well as with the plater, so that the customer won't see any interruptions, shouldn't see any interruptions for that period. And as I said, it should be relatively stable, equal throughout the year.

Brian Mackey

Yeah. And, I think there's sort of the two elements of it. It's a level-loaded requirement by the customer, generally speaking, but also the necessity for the move is for us to be able to add floor space, add production capacity. When that comes online, our weekly quantities will accelerate. So it's sort of a bit of both.

Q: Got it. All right. Thanks. That's helpful in understanding the contract and the AISiC business in general. Secondly, how has the federal government shutdown



affected you, either with advancing through the SBIR process, procurement, collection of receivables. Any color you can provide around that would be helpful.

Brian Mackey

On the billing side, just earlier this week, we submitted two invoices through the government process, and we promptly received payment. So, we're set up as an active contract. We've received payment. That was nice to see. On the funded contracts that are underway, there's really minimal disruption because essentially our technical team has been handed the program and they are now executing on the research work. On occasion, they might typically have a conversation with the funding agency, every month or two, something like that.

What we've seen is maybe instead of four or five people on that call, there might be two. So, we can still generally get a response or if there's some sort of clarification of path forward, there's someone there, but that's really not that critical to us, because we proposed a research plan which got approved and funded and we're executing on it. So, largely the ball is in our court and it's probably more of a risk related to whether the government's going to publish new topics on time a month from now or 2 months from now. That's less clear to us.

Q: Got it. Okay. Thanks. You touched on it a little bit in responding to Chip's question, but I wanted to talk about AlMax a little bit more. It seems to me that that's an exceptionally large commercial opportunity that's recently validated by either execution or delivery of your first order of that product in this quarter. But, can you provide any sort of color or additional commentary around the additional commercial opportunity there and how we might expect this to develop over the next few years?

Brian Mackey

Yeah, I think, first of all, interacting with people who are interested in that material, and some of those industries, they don't know the name CPS. Some of them they



do. So, it's a matter of getting in front of the right decision makers and design engineers, et cetera. And they'll have their own adoption process. They'll want samples, which is what we're sending out now to people. They want to validate the material performance requirements consider how they can adopt this into whether it's something they have ongoing or something new they're developing.

So, we anticipate a sort of step-wise volume opportunity. No one's going to come in on day one and order a great many pieces. They're going to do small, medium, and then large. But those are the conversations that we're taking on, and that's why we've got a focused business development effort underway to add to our team.

We have a position posted that we're actively recruiting for to help pursue these new opportunities, because it takes a lot of legwork. So that will play out, but we do believe that material has a lot of applications and many of them are places we haven't historically been. So, we're identifying tradeshow, industries, applications, updating our website, et cetera, to address those more directly.

Q: Great. Well, congratulations again on a great quarter and thanks for taking my questions. We'll look forward to talking to you again soon.

Brian Mackey

Thanks.

Operator

Thank you. [Operator Instructions] Okay, ladies and gentlemen, as we have no further questions in the queue at this time, I'd like to hand the call back over to Mr. Mackey for any closing remarks.

Brian Mackey



Great. Thanks, Ali. Thanks, everyone, for joining us today for your ongoing interest in CPS. We look forward to speaking with you again after the end of our fourth quarter. If you have any questions in the interim, please reach out to our Investor Relations advisor. Thank you.

Operator

Thank you. Ladies and gentlemen, this does conclude today's call. You may disconnect your lines at this time and have a wonderful day. We thank you for your participation.