



CPS Technologies

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9amET

Operator

Good morning, everyone. Welcome to CPS Technologies' Fourth Quarter 2025 Earnings Call. At this time, all participants have been placed on a listen-only mode, and the floor will be open for questions following the presentation.

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

Chuck Griffith

Thank you, Jenny, and good morning, everyone. Today, I am joined by Brian Mackey, our President and CEO. We look forward to discussing our fourth 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 conflicts in Ukraine, Israel, and the Middle East, 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.

I will 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. Good morning, everyone. As expected, we just closed out the best year in the company's history from a revenue standpoint, with sales of \$32.6 million. This was a milestone accomplishment for CPS and marks a strong comeback from where we were just 1-year ago. We continue to benefit from strong underlying demand and are well on our way to selecting a new site to expand and improve our production capabilities. We also have some news to share regarding HybridTech Armor®. I'll speak more to both of these topics in a moment.



As previously announced, we completed a secondary offering in the fourth quarter that raised \$9.5 million of net proceeds. With our newly strengthened balance sheet, we are clearly in better shape than at any time in recent memory, and we expect 2026 to position our company very well for higher growth going forward.

Let me now turn the call over to Chuck to provide further details about our financial results, after which I will provide some additional perspective on the quarter and our outlook. Chuck?

Chuck Griffith

Thanks, Brian. The fourth quarter capped a year of significant achievement and puts the company on track for even better days ahead. CPS reported revenue of \$8.2 million for the period, compared with \$5.9 million in the fourth quarter of fiscal 2024. As with the year in total, the increase was driven by strong product demand and higher overall shipments, benefiting from our third shift and expanded production capabilities.

Revenue in Q4 was down from Q3 levels primarily due to extended holiday periods for our customers, particularly overseas. We reported gross profit in the fourth quarter of \$1.2 million, or approximately 14.6% of sales, compared with a gross loss of \$0.3 million last year. As in other recent quarters, the increase year-over-year was due to higher revenue and greater manufacturing efficiencies. However, margins in Q4 took a step down versus Q3 due to the reduction in revenue as well as the dilutive impact on margins of the dramatically increased cost of gold.

A number of our products are gold-plated, and historically, the expense of some of these charges was rather nominal. Now, however, these dramatically increased costs are having a dilutive impact on margins as the margin for added gold cost is nominally zero. Going forward, we expect margins to expand as we continue to implement improvements to our operations, notwithstanding any short-term impacts when we move production at the appropriate time. We remain focused on expanding margins as we increase productivity and improve asset utilization at the new facility.

Selling, general, and administrative, SG&A expenses totaled \$1.3 million for the fourth quarter versus \$1.0 million in the prior year. We continue to actively manage costs, while ramping up production and investing for growth. SG&A remained fairly constant for each quarter of 2025. The company posted an operating loss of about \$100,000 in the fourth quarter compared to approximately \$1.3 million last year. We reported net income of around \$12,000, \$0.00 per share, versus a net loss of about \$1 million or \$0.07 per share in Q4 of fiscal 2024.

Turning to the balance sheet. We ended the year with \$4.5 million of cash and \$8.8 million in marketable securities, for a total of \$13.3 million combined, versus a combined total of \$4.3 million at the beginning of 2025, which included \$3.3 million in marketable securities. As a reminder, earlier in the year, we completed a public offering which raised \$9.5 million in net proceeds, providing both growth capital and funds to move to a larger manufacturing facility and further scale the business.



Trade accounts receivable totaled \$5.2 million as of December 27, 2025 versus \$4.9 million as of December 28, 2024. Inventories rose to \$5.6 million at end of the fourth 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 \$4.3 million at the end of the fourth quarter versus \$4.0 million in fiscal 2024.

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

Brian Mackey

Thanks, Chuck. Let me first point out that as I'm sure our investors know, Chuck, our CFO, announced late last year he was finally looking forward to retirement. He has earned it after a full career, including the last 7 years at CPS, where he has positively impacted not only our financial reporting, but our strategy, growth trajectory, and underlying operating results. Although we do not expect this to be his last earnings call with the company, I know the entire team here at CPS agrees with me that it's been a pleasure working with him these past several years, and we certainly hope retirement treats him well.

Since joining the company in 2019, Chuck has been instrumental in heading the company's finance and accounting functions, as well as providing overall leadership at CPS that's been crucial to driving the growth we've experienced. We are now actively searching for a successor as capable as he is, who will join the company at what we believe is an inflection point in support of future growth. This screening and interviewing effort will naturally be a key point of focus for us in the coming weeks.

Now, returning to our performance, we're obviously pleased with the rapid expansion of our sales and operations leading to record revenue this past year. I think it says a lot about our products, our markets, and the ability of our committed team here at CPS to raise production to meet demand. However, we know we have further to go with respect to both revenue and gross margins, which is why we're looking to upgrade our manufacturing capabilities as soon as possible.

As we discussed last quarter, the key impetus for the capital raise in October is a planned move to a manufacturing facility nearby, which will provide for long-term growth and product expansion. In our current facility, we simply do not have enough space to respond to the continued growth and demand we're experiencing. Using some of the funds we recently raised, we are committed to finding and relocating to a new site to address our expansion requirements.

With this in mind, we recently selected Dacon Corporation to serve as our general contractor. They're an experienced organization here in the Boston area. With the input and assistance of the Dacon team, we will soon select the best facility, negotiate a lease, and initiate a build-out to meet our manufacturing requirements. Although the specific timing will depend on the amount of work needed to upfit the selected facility to address our production plans, we anticipate initiating the move several months from now. We're upbeat about the numerous positive aspects that will result once we have relocated.



In addition to addressing our current space limitations, we anticipate greater operational efficiencies, reduced facility maintenance expenses, and a dramatically improved working environment for our team. The new facility will likely provide a number of other advantages as well. As we are space constrained in our current facility, this also means we are generally revenue constrained, particularly now that our third shift of metal matrix composite product manufacturing is fully operational.

Our commitment to relocate demonstrates our confidence in the growth opportunities that are before us. Sustained strong demand for our products, combined with expanded floor space and the addition of targeted production equipment, will position us to meaningfully increase revenue and implement targeted gross margin improvements.

Now an update regarding HybridTech Armor®. With the passage of the FY 2026 defense bill, Kinetic Protection, our partner and the prime contractor for these efforts, is optimistic that orders supporting the U.S. Navy will resume in the latter half of the current calendar year. Whereas our orders in the 2021 to 2024 timeframe provided protection for crew served weapon stations on aircraft carriers, these orders will be for a small quantity of U.S. Navy destroyers. Funding has been secured to implement ballistic shields on a handful of these vessels. Detailed contract negotiations are expected to begin in the coming months, and we will certainly keep our shareholders apprised as this continues to progress.

With regard to our federally supported research activities, there's a lot to report as well. Since we re-engaged with the government-funded programs in the SBIR and STTR in 2021, we have received 13 awards from either the Department of Defense or the Department of Energy. However, as our investors may know, these federal programs have not yet been reauthorized by Congress and, therefore, they lapsed at the end of the previous federal fiscal year on September 30, 2025.

The negative impact on CPS has thankfully been limited. Proposals we already submitted are not being reviewed and new research topics are not being published. On the positive side, our four ongoing contracts, one Phase 1 and three phase 2 programs, as we've previously announced, continue to be executed and continue to be funded without interruption.

Fortunately, within just the past few days, we have seen indications Congress has reached a compromise which will enable reauthorization of these programs, with full congressional approval potentially occurring later this month. It appears this reauthorization will be valid until September 30, 2031. Once federal SBIR employees are back at their desks, we anticipate the publication of new topics to resume and our pending applications to be reviewed.

At the same time, we continue to strengthen our internal capabilities, supported in part by strategic deployment of federal research funding. Over the past several months, we've made significant investments in capital equipment. For our ALMax™ product line, the newly installed higher capacity mill now allows us to process ceramic fiber at twice our previous rate. With the system now fully up and running, we are producing a broader range of samples to support customer engagement and business development efforts.



Also in September, we launched Phase 2 of our controlled fragmentation tungsten warhead program funded by the Army. As we have now installed a new sintering oven in our laboratory, we have established a fully operational work cell for manufacturing these alloys at CPS. Although still early in Phase 2, we are now producing 40 millimeter warhead samples with unique geometries designed to exceed Army performance benchmarks. These new internal capabilities also enhance our ability to work with other sintered metals and advanced ceramics.

Collectively, these investments carefully integrated within our new facility and supported by our growing team will accelerate product development and strengthen our competitive position. The additional space at our new location will enable us to commercialize emerging product lines as we pursue sizable market opportunities.

This includes radiation shielding, where research continues with ongoing funding from the DOE, where we are now actively working to develop and test larger scale samples while we continue to evaluate applications of lightweight MMC radiation shielding across multiple industries. Overall, we expect these complementary processes to unlock new opportunities for our company that build upon and expand our existing intellectual property and manufacturing capabilities, and ultimately lead to a greater array of offerings for our customers.

In summary, we expect 2026 to be a year of solid revenue as we complete the relocation and lay the groundwork for sustained long-term growth going forward. Once fully operational in the new facility, we will be well positioned to meet increasing demand, implement additional initiatives targeting improved gross margins, and expand into large and attractive new markets. We can now open the call up for questions. Jenny?

Operator

Thank you very much. We are now opening the floor for questions. [Operator Instructions] Thank you. Our first question is coming from Chip Moore of Roth Capital. Chip, your line is live.

Q: Good morning. Hey, thanks for taking the questions. Appreciate it.

Brian Mackey

Hey, Chip.

Q: Hey, Brian. Congrats, Chuck, on retirement.

Chuck Griffith

Thanks.



Q: Maybe just to start for me, on the facility move, it sounds like you're obviously very close, and you've got it down to a couple of sites. Just walk us through in a little more detail how you're thinking about timing and some of the moves in preparation for that. And then any early thoughts on capacity and future expansion? Will you have room to grow, and how are you thinking about some of those dynamics?

Brian Mackey

Yeah. Thanks, Chip. Good morning. We've looked at a number of sites. We've narrowed it down to a very small list and, again, with the input of the Dacon team evaluating all the different bones of those places, whether it's electrical, plumbing, et cetera, to meet the various needs that we have for our production requirements. So that will probably take a few months, as I mentioned, to upfit the selected facility, at which point we will begin executing a move and sort of work center by work center over time.

What you've seen on our balance sheet is the growth of our inventory levels so that we have inventory to pull from for at least for the products where we can do that, during the time that we're shutdown to implement the move. And the timing and structure of that move will be led by which work cells need to be up and operational most quickly, to support our customers. Of course, we have to revalidate our production equipment, et cetera. So, it will naturally be disruptive, but we're taking a variety of steps, to mitigate that as much as possible, and we do expect to initiate that move a few months from now, and it'll take several months to get everyone from here to there.

We have a number of facilities that we're looking at that are all relatively close to our facility here, so we don't expect much negative impact on our talented workforce, because their commute probably won't change too much. That was a key for us as well. Chuck, anything you want to add to that?

Chuck Griffith

Yeah. Just, so I think Brian had mentioned several months, but I think probably I would expect we'll have a decision on the specific facility within maybe a month.

Brian Mackey

Yeah, I think that some number of weeks.

Chuck Griffith

Yeah. Certainly several weeks, maybe a month. So, obviously once that happens, we'll let people know.

Q: Okay. Yeah. Sounds like final negotiation, yeah, that's helpful. Maybe if I step back just on demand, I guess for ALSiC in particular, you had the big customer re-up in October. Just broader demand there, and I think you talked in the past about potential for another large customer out there, just given some of the capacity constraints, but what are you seeing in that market?



Brian Mackey

Yeah, we continue to see that demand. That customer does order, that you mentioned, that order is their typical pattern for a 12-month need. So, we're working to fulfill that as well. As I mentioned, that's one of the items where we can build inventory ahead to satisfy their needs as we relocate.

Coming back to that, you'd asked a question about capacity. We do expect to increase capacity in the new facility. There's some equipment that we're ordering that will get delivered to the new facility, and we will also have additional floor space that will be available but generally uncommitted in the short-term, because we simply know that these other opportunities continue to blossom.

We've got floor space earmarked to be able to take advantage of those in a way that we cannot, in our current facility. And, yes, that new potential customer, that continues to play forward. They're working to validate the performance of our product, as you would expect before they make a larger commitment, and those tests and discussions are ongoing.

Q: Excellent, Brian. Maybe one more from me, on how to think about margin trajectory near-term, right? I think, the gold prices, how big impact is that now with gold continuing to move higher? And can you offset that at all? And then HybridTech Armor coming back, that should be beneficial to margins. It sounds like maybe that's not big volumes initially and a little later, but any more thoughts there?

Chuck Griffith

Yeah, I think, well, I hope gold is about as high as it's going to get. It's pretty much, I think it's more than doubled since about a year ago, and always been a factor in our equation. Just the fact that we're billing more for gold, but also spending more for gold just has a negative impact on the margin percentage. Obviously the margin, the bottom-line margin is not going to change at all or very little, I should probably say, maybe to the good, but it probably impacts the margin by maybe a point or 2, depending on the volume in a given quarter.

And then, I think the other factor that's been a bit of an issue with margin is the fact that we're growing inventory and we do try to be conservative in terms of our inventory valuations, our standard costs for our inventory. And so that basically means that, as we build inventory, we're expensing costs that don't get picked up with a corresponding sale until sometime later down the road. So, as we build inventory, I think that has sort of a headwind, when it comes to margins as well.

The fact that when we do move and during that period when we're not producing, we should maybe see the opposite impact. Again, I can't tell you if that's going to be 1 point or 2 points or 3 points, but certainly it should be a tailwind instead of a headwind, I think.



Q: Got it. Very helpful. I'll hop back in queue and take the rest of my offline. Thanks very much.

Chuck Griffith

Thanks.

Operator

Thank you very much. [Operator Instructions] Our next question is coming from Steven Fossey, who's a Private Investor. Steven, your line is live.

Q: Thank you. Good morning, guys. I was going to ask about the facilities move, but that's pretty well taken care of. I do have a quick question about. I probably asked this before, exposure to rising aluminum costs, if that's a potential margin issue, because it's kind of linked with the price of copper as well. I don't know about your particular grades of aluminum, but there's a...

Chuck Griffith

Yeah. So, aluminum is a relatively small percentage of our overall cost of making a product, so it doesn't have a huge impact. Again, you could view it as perhaps a headwind, but it's also something that – because it's not occurring immediately, it's going up. So it does give for many of our products, it does give our sales force the opportunity to incorporate that into new pricing. Obviously, the guy that places the one order a year that can't be adjusting their price all the time. On the other hand, there's certainly a lot of other folks that are placing orders monthly or quarterly, and so we can pick that up. I don't think it's a huge issue though, because again, the cost of aluminum is relatively small piece of the cost of an AISiC base plate.

Brian Mackey

And some of our sourcing decisions have changed as well. I would say to your point, Steve, that market has been more dynamic than maybe in some points in history. So, our purchasing team has needed to be more nimble for those reasons to find the best available cost.

Q: Okay. Great. Thanks. Appreciate that.

Operator

Thank you very much. Our next question is coming from Joe Schicker, who's a Private Investor. Joe, your line is live.

Q: Thank you. Good morning, gentlemen.



Chuck Griffith

Good morning.

Q: Thank you for taking my call. I'd like to just ask a question about tungsten alloys. Now, I understand you've got a process called binder jet additive manufacturing to create high density tungsten alloys. And you're moving away from depleted uranium. So, my question is, what is the potential dollars on this? And, secondly, would this process create a moat for your company that would prohibit other competitors to enter? Thank you very much.

Brian Mackey

Yeah. Good morning, Joe. What you're speaking to specifically is some of the SBIR funding that we were awarded in 2025, particularly for a Phase 1 related to U.S. Army artillery, who was trying to move away from depleted uranium. And our proposal to accomplish that was the binder jet approach that you discussed, as a way to construct a product, a layer, from tungsten, which is cost-effective. We had nice technical results from that funded effort. We're looking to continue that work in relevant directions. That's something that will continue to play out over time.

But I think it's a good example of the places where we are using our historic intellectual property and know-how and our manufacturing equipment to develop new technologies for just the reason you described. We want that protective moat around these things that we're bringing to market. Our new facility will enable us the space not only in a much bigger laboratory area, but also that undedicated floor space to move into when we go to small quantities or large quantities.

In the bigger picture of our portfolio, that's exactly what we're trying to do, is have more intellectual property for that protective moat. That one specific opportunity will continue to play forward. That's not going to be significant revenue in 2026 or anything like that, but it's a great example of the types of things that we're broadening into, but staying close to home in our material science space.

Q: Well, that's a good answer. Can you give me just kind of a ballpark on what kind of dollars you're potentially looking at in sales?

Brian Mackey

The long-term picture for that would be very large if the Army engages that solution to use for its artillery. That's a very large market, and that's kind of the view we have of any number of these markets. I mean, with very minimal exception. I mean, we're not looking for needles in a haystack. These are haystacks. We don't spend a ton of time deciding if it's a huge haystack or a large one, because frankly, we're a \$32 million revenue company from 2025. So that's a very large market potential, as are many of these things, because it could potentially be a solution that the Army engages for its artillery, and those are big numbers.



Q: Well, very good answer, gentlemen. God bless you and thank you for the call.

Brian Mackey

Thanks, Joe.

Chuck Griffith

Thanks, Joe.

Operator

Thank you very much. Well, that appears to be the end of our question-and-answer session. I will now hand back over to Brian for any closing comments.

Brian Mackey

Super. Okay. Thanks everyone for joining us and for your ongoing interest in CPS. We look forward to speaking to you again at the end of our first quarter. If you have any questions in the interim, please reach out to Chris Witty, our Investor Relations Advisor.

Operator

Thank you very much. That 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.