



May 5, 2026

9:00am ET

Operator

Good morning, everyone, welcome to the CPS Technologies Q1 2026 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, Chief Financial Officer at 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 Chris Fraser, our next Chief Financial Officer. We look forward to discussing our first quarter results with you, but first, Jordan Darrow, filling in for Chris Witty today on behalf of Darrow Associates, will provide a safe harbor statement. Jordan?

Jordan Darrow

Thank you, 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 or forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and should be considered as subject to many uncertainties that exist in CPS' operations and environment. These uncertainties include, but are not limited to, the ongoing conflicts in Ukraine 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.

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

Brian Mackey

Thanks, Jordan, and good morning, everyone. Before getting into the details of our discussion, let me take a moment to welcome CPS' next CFO, Chris Fraser, to the company as he's here with us today. We'd like to give him the opportunity to introduce himself to our investors this morning. Good morning, Chris, and welcome to CPS.

Chris Fraser



Thank you, Brian, and it's great to be here. I'm very happy to share some details of my professional background, which has significant overlap with the challenges and opportunities in front of CPS. Most recently, I served as Controller within Precision Castparts Corp., or PCC, which makes aluminum castings for aerospace customers.

Prior to that, at Advanced Regenerative Manufacturing Institute, or ARMI, I served as CFO for early-stage ventures funded by federal grants. And as a result, I'm very familiar with the SBIR and STTR programs. Earlier, I worked at A.W. Chesterton, which manufactures engineered products, and before that, at Oxford Instruments America, where I worked for over 17 years. I'm excited to join CPS and look forward to helping the company continue to grow and succeed.

Brian Mackey

Thanks, Chris. Chris will officially assume the role later this month, which gives him some time working with Chuck and getting up to speed. While Chris has some big shoes to fill with Chuck's upcoming departure, Chris is highly qualified to take on this position as CPS prepares to move into a new facility and execute a strategy for greater growth ahead. I'd also once again like to thank Chuck for his 7 years of dedicated service to us here at CPS, without which we would not be where we are today. Chuck's official departure date is tentatively scheduled for the end of this month.

Turning to our Q1 results, we posted sales of \$7 million, down slightly year-over-year, due primarily to simple order timing. This does not diminish our positive outlook for 2026, nor reflect a lack of orders or demand.

I'll review the current state of the business shortly. We continue to benefit from strong fundamentals, and while our assessment of available facilities continues in depth, we expect to soon announce a new site which will expand and improve our production capabilities.

First, let me turn the call over to Chuck to provide further details about our financial results, after which I'll give some additional perspective on the quarter and outlook. Chuck?

Chuck Griffith

Thanks, Brian. It's with mixed emotions that I think this will be my last time on the call, but I could not be more proud of all we've accomplished at CPS since I joined the company in 2019. I wish the entire team good luck going forward and believe the company is in great shape to thrive and grow in the quarters and years to come.

CPS reported revenue of \$7 million for the period, compared to \$7.5 million in the first quarter of fiscal 2025. The year-over-year decline was primarily due to order timing, as Brian mentioned. We anticipate shipments increasing as the year plays out, and are very pleased with some recent awards and the overall business outlook. In addition, while the specific timing of our move to a new manufacturing facility is not yet finalized, we remain optimistic about this being executed in the coming quarters, positioning us for stronger growth going forward. Brian will speak to this more in a moment.



We reported gross profit of \$0.6 million or 8.6% of revenue versus \$1.2 million or 16.4% of revenue in the fiscal 2025 first quarter, with the year-over-year decrease largely due to lower overall revenue as well as the current period impact of our inventory build. In future quarters, due to expected revenue growth and changes in product mix, we anticipate margins will grow. We also expect to improve our operating efficiencies once we complete the transition into the new facility.

Selling, general, and administrative expenses totaled \$1.1 million in the first quarter of both fiscal 2026 and 2025, and the company posted an operating loss of about \$500,000 in the first quarter, compared with an operating profit of approximately \$100,000 last year. We reported a net loss of roughly \$300,000 or negative \$0.02 per share versus net income of just under \$100,000 or \$0.01 per share in fiscal 2025 first quarter.

Turning to the balance sheet, we ended the quarter with \$5.7 million of cash and \$6.8 million in marketable securities for a total of \$12.5 million combined, versus a combined total of \$13.2 million at the beginning of 2026, which included \$4.4 million in cash and \$8.8 million in marketable securities. Our interest rates for cash are very close to the rates we earn on marketable securities, with the main difference being that we can lock in the rates on marketable securities, whereas cash rates fluctuate with the market.

Trade accounts receivable totaled \$3.8 million as of March 28, 2026 versus \$5.2 million as of December 27, 2025. Inventories increased to \$7.1 million at the end of the first quarter, reflecting increased production to support our sales during the move, compared with \$5.6 million at the start of the fiscal year. This growth in inventory is acceptable as it will allow us to continue shipping and generating revenue during the transition to our new facility.

Turning to the liability side, payables and accruals totaled \$3.9 million at the end of the first quarter versus \$4.3 million as of December 27, 2025. Now, Brian will provide a more in-depth discussion of the period and outlook.

Brian Mackey

Thank you, Chuck. Chuck has discussed our margins a bit. I'd like to address the other topic that may be on people's minds, which is our move to a new manufacturing location. The bottom-line is that the facility review is taking longer than we initially anticipated, primarily related to the complexity of our needs. At this point, we're down to reviewing the top candidate sites that best fit our various requirements, particularly as it pertains to the potential building setup parameters, including power requirements, industrial gas supply, floor space, et cetera.

We continue to plan for the move as well, and we expect to have an update on transition timing in the near future. However, as we continue to move through this process cautiously, our current lease runs through February of 2028, providing some flexibility. We'd rather have the correct facility chosen and outfitted appropriately and outfit it appropriately, than move too quickly and make a poor decision. This transaction process is improving manufacturing efficiency and growing the company. We're committed to keeping our investors posted in the coming weeks and months.



On other topics, the SBIR and STTR programs have now been fully reauthorized by Congress. And instead of their typical authorization increment of 1-year, this time congressional reauthorization carries through fiscal 2031, providing a long runway of clarity and certainty. Although there are some modifications to these programs, the core tenets remain unchanged. We previously mentioned that our ongoing programs continued to be funded and our funded work continued even before this latest congressional action. But, new research topics are now being released and we're able to bid on new work. Also, the proposals we're submitting now or have submitted in the past are also being reviewed. We will continue to use these programs to enhance our R&D efforts, expand our market opportunities and drive growth over the long-term.

Work continues on our funded programs, including radiation shielding, energy storage for long-range missiles, and the controlled fragmentation 40-millimeter warheads made from tungsten alloys. Additionally, the Navy SBIR office recently executed its option to extend our Phase I program related to Amphibious Combat Vehicles. This provides us with \$100,000 of additional funding and extends the program for 6 months starting in June. We will continue to define methods of reducing the weight of the ACV with proposals that include potentially incorporating our HybridTech Armor as ballistic protection for the vehicle in place of the steel plates currently used. The Navy's decision regarding potential Phase II funding will be made at a later date.

While funded research continues to bring in new opportunities, there has been some recent softening of product deliveries, particularly in metal matrix composites within our overall book of business. However, while the lumpiness of revenue in this market is something we're very familiar with, our backlog and order intake remains strong. As one example, we recently booked a \$4 million contract for hermetic packaging. We will begin shipments very soon and expect to fulfill this contract in less than 12 months. This order is a nice win for us as it is a single SKU and a product we're familiar with producing, though historically in smaller quantities.

Our fielding of proprietary AlMax material continues to pick up speed as we are now putting more material samples into the hands of interested customers in various markets and discussing potential opportunities with them. Also, we recently shipped our first small order for tungsten alloy components made using our proprietary QuickSet Injection Molding process. In this case, this was an order that we received in March and fulfilled promptly in April. The underlying technology is one we've used for many years in the production of our core metal matrix composite products. As you may recall, we're already applying this technology to the ongoing Army Phase II program to provide 40-millimeter controlled fragmentation warheads.

Now, outside of the SBIR work, we've engaged with a commercial customer who needed tungsten alloy components with features that cannot be cost-effectively produced by other manufacturing methods. Our QuickSet Injection Molding process successfully produces the desired size and features to satisfy the contract. This is our first such commercial order, and we're optimistic about the future of these capabilities for various industrial opportunities as well as military applications. This win is closely aligned with our strategic objective of continuing to build out our product portfolio based on our unique intellectual property, particularly related to metals, ceramics, and composites.

In addition, we remain optimistic about the possibility of new HybridTech Armor orders. Kinetic Protection advises us that new contracts supporting the U.S. Navy are anticipated in the latter half of



the current calendar year. As a reminder, whereas our orders in the 2021 to 2024 timeframe provided protection for aircraft carriers, the potential new business would be for a small quantity of U.S. Navy destroyers. Congressional funding has already been secured to implement ballistic shields on a handful of these vessels. Detailed contract negotiations are expected to begin soon. And we look forward to returning to this important market.

In summary, we continue to be upbeat about 2026 and beyond. While the new facility relocation is taking a bit longer than anticipated, we have not wavered from our goal of finding and occupying the best site possible to position the company for faster growth as well as improved bottom-line results. Demand for our products remains strong, we're actively finding and bidding on new opportunities every month. The future is bright, and CPS is transforming into a larger, broader-based technology organization to meet the advanced, unique needs of our clients today and tomorrow.

Jenny, we can now open the call up for questions.

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. Chip, your line is live.

Q: Good morning. Thanks for taking the question. Hey, everybody. Thanks, Chuck, and congrats, Chris, for joining in the CFO role. I guess maybe start there. I guess, Chris, it seems like your background is very well aligned with what CPS is doing, but just maybe expand on that and what you're excited about.

Chris Fraser

Yeah. Thank you, Chip. I'm very excited to be joining CPS. I see a strong company with a good record and has tremendous opportunities in front of it and opportunities that aren't afforded to most other companies. Significant challenges that I see Brian, Chuck, and the rest of the management team are focusing on the right areas to continue to improve the financial performance of the company, and I'm really looking forward to helping that happen.

Q: Great. Look forward to working with you. And Brian, I think on your commentary, it sounds like the demand environment remains quite healthy. Just maybe expand on some of the order lumpiness you saw this quarter, and I think you called out MMC in particular, was maybe a little softer. Is this just timing or just sort of lingering into the current quarter? How are you thinking about sort of the forward view there?

Brian Mackey

Yeah. There's always some variance in revenue, and we saw that in Q1. We have a strong order book going forward across the board. I mean, the reality is that 2025 was a strong year for us. Q1 would have been the top revenue year of 2024. Every quarter of 2024 was below \$6 million, I believe. The upward march will continue. We're not pleased with these numbers, but we know there's strength ahead of us, and part of it is the inventory build as well. That's now revenue waiting to be shipped,



which will help with the implementation of the move to keep customers satisfied for the communities where we are able to do that. Of course, that's not always the case, but places where we can build inventory. Our inventory grew more in Q1 than it did in all of 2025. So, it stepped up significantly, which is positioning us well for the upcoming move.

Q: Yeah. No, that's fair. We'll look forward to more details there. It sounds like you're narrowing things down and we should expect something pretty soon. And I guess in some of the other areas, what are you excited about? I think, HybridTech Armor coming back, it sounds like high degree of confidence with Kinetic. What's the potential? It sounds like it's a smaller opportunity maybe initially, but potential for that to grow as well. And then, I believe you've got some armor potential in the SBIR program as well.

Brian Mackey

Yeah, that's right. The congressional funding is allocated toward the destroyers, and as I mentioned, that contract negotiations specifics will be resolved over the next several months. So, we're optimistic about that. As far as the destroyer class, we've known for quite a while that key Navy personnel are interested in applying the HybridTech Armor to those needs. We kind of view as the foot in the door. We don't expect a large number of vessels to be funded in this initiative, but it opens the door to later opportunities as well.

And, yeah, the Amphibious Vehicle effectively the Navy is paying us to review opportunities to remove the weight, sort of a large hollow steel wheeled vehicle. There's just not a tremendous amount of opportunity for weight reduction that has steel panels for ballistic protection. So, our team, of course, sees those as opportunities to apply the armor solution that we're very familiar with. So, that's a significant opportunity for us that will play out over time. The execution of the Phase I option to allow us to continue that work for 6 months is obviously a very favorable signal from the Navy.

And I think the last item that I touched on was the tungsten alloy shipment. That opens up a whole field of new opportunities for us with technology that we already have in-house. And the ability to make net shape components with certain features is fairly unique to QuickSet Injection Molding, which is what we have. If you look at metal injection molding pictures on the Internet, typically very small components. I mean, they're often pictured next to a penny to give you the scale. We're not limited in scale by that, so we can make much bigger pieces, which is evidenced by the 40-millimeter warhead. It's 40 millimeters across and roughly the same in height. So, a much larger scale of components that we can produce, and we've already turned around that first order. So, that's another strong signal for our future.

Q: Interesting. No, that's very helpful. And I assume moving to the new facility will help enable a lot of this as well. Maybe just a last one for me, just on the cost side, inflation, raw materials, some of those things. Have you seen any impacts or how are you thinking about inputs?

Chuck Griffith

Yeah, I can take that. So, I think the material costs, especially on the metal matrix composite side, are not a large part of the cost profile. It's mostly labor, overhead, that kind of thing. So, there's a little bit



of pressure from, for example, aluminum prices are up a little bit. But, in terms of the cost of a metal matrix composite product, the increase is maybe 0.5% or something along those lines. And of course, with a couple of, I'll say, significant exceptions. We're taking orders for the next 3 to 6 months for the most part. And, when those new orders come in, we certainly have the flexibility to adjust pricing if it's necessary. So, I don't see that as a major issue, at least not at this point.

I will say, in terms of the tungsten that Brian was talking about tungsten prices have skyrocketed. That makes a difference. But, at the same time, we don't have orders out for the next year that are problematic. Basically, we had that first small order that we placed and the market is the market, so we can price it accordingly. And actually, just to expand on that a little bit that, as Brian mentioned, because our manufacturing method reduces waste when it comes to tungsten, that is huge. We can make an item for using less tungsten than if somebody's going to machine a part out of tungsten, for example.

Q: Yeah. Great. Appreciate all the color. I'll hop back in queue. Thanks, everybody.

Brian Mackey

Thanks, Chip.

Chuck Griffith

Okay. Thanks.

Operator

Thank you very much. And our next question is coming from Joe Schicker, who's a private investor. Joe, your line is live.

Q: Yes, good morning, gentlemen. Thank you for taking my call. In your 10-K, you list three product areas, your MMC, your hermetic packaging products, and HybridTech Armor. Could you tell me which product area is growing the fastest at this particular time?

Brian Mackey

Well, I'll start with armor. That's probably the easiest. We fulfilled an order for the aircraft carriers for the Navy from 2021 until about April of 2024. So, today, that armor revenue is effectively zero, although there are some opportunities, particularly through our partner, Kinetic Protection, that we talked about a moment ago, which we anticipate that relatively small order for a small quantity of destroyer vessels. So, today, in Q1, armor revenue is effectively zero. The other two product lines that we offer, we're seeing overall strength in both of those. There's a variety of dynamics in the metal matrix composite market that are pushing that to stronger places.

Hermetic packaging, it continues to grow for us as well. We don't always know the end use for those hermetic packages. We know they generally go into aerospace and defense applications. And, obviously, there's been a lot of consumption in some of those places around the world, conflicts



overseas, et cetera. We recently booked that \$4 million order, which was a sizable step up for that one SKU. So, we're seeing both. I don't know if I would compare one to the other, other than we continue to see growth in both, and that's part of the reason we need to find a larger facility.

Q: Okay. Great. Now, you may not want to answer this question, but anyway, I'll pose it. Could you give me a ballpark sales percentage of your three product lines? Like, MMC is 20%. This one is blah, blah, blah.

Chuck Griffith

Yeah. So, obviously, like I mentioned today, Armor is 0%. And I would say that probably MMC versus hermetic packages is maybe 60-40, 70-30, something in that in the 60s versus the 30s kind of range, I think is probably fairly accurate. But, there is a lot of fluctuation potentially there, which is why we can't give a specific answer on that. Yeah, and then there's definitely one from ACV, but they're both extremely significant when it comes to that.

Brian Mackey

And then on top of that, not profit, but on top of that is a little bit of that SBIR funding, which is now over, well, probably 5% of our revenue comes from SBIR funding, something like that.

Q: Okay. All right. And final question is this, have you ever thought about doing a YouTube interview with Tim Weintraut of Alpha Wolf Trading or potentially Martin Gagel of Radius Research, to let individual investors like myself learn more about your company?

Brian Mackey

We don't know those names in particular, but we are pursuing a number of ways to get our names out there, and we'll certainly make a note of that from the transcript and recording of this call, because that's a barrier for us. I think there's a lot of investors on this call, their point is probably we're not aware of us maybe 12 months ago, and we're going to continue in that direction for sure.

Q: Okay. All right, gentlemen. God bless all of you, and keep up the good work.

Brian Mackey

Okay. Thank you.

Chuck Griffith

Thanks, Joe.

Operator



Thank you very much. [Operator Instructions] Okay. I'm not seeing anyone else in the queue. So, we have reached the end of our question-and-answer session. So, I will now hand back over to Brian for any closing comments.

Brian Mackey

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

Operator

Thank you very much. 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.