



GSI Technology

First Quarter Fiscal 2026 Results Conference Call

July 31, 2025

C O R P O R A T E P A R T I C I P A N T S

Lee-Lean Shu, *Chairman, President and Chief Executive Officer*

Didier Lasserre, *Vice President, Sales*

Douglas Schirle, *Chief Financial Officer*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Tony Reino, *Private Investor*

Anna Chapman

PRESENTATION

Operator

Welcome to GSI Technologies First Quarter Fiscal 2026 Results Conference Call.

At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session. At that time, we will provide instructions for those interested in entering the queue for the Q&A.

Before we begin today's call, the Company has requested that I read the following Safe Harbor statements. The matters discussed in this conference call may include forward-looking statements regarding future events and future performance of GSI Technology that involve risks and uncertainties that could cause actual results to differ materially from those anticipated. These risks and uncertainties are described in the Company's Form 10-K filed with the Securities and Exchange Commission.

Additionally, I have also been asked to advise you that this conference call is being recorded today, July 31, 2025, at the request of GSI Technology.

Hosting the call today is Lee-Lean Shu, the Company's Chairman, President and Chief Executive Officer. With him are Douglas Schirle, Chief Financial Officer, and Didier Lasserre, Vice President of Sales.

I would now like to turn the conference over to Mr. Shu. Please go ahead, sir.

Lee-Lean Shu

Good afternoon, everyone, and thank you for joining us today.

Let me begin with a few key highlights from this quarter's financial results.

Fiscal 2026 is off to a strong start. In the first quarter, we achieved net revenue of \$6.3 million—up 7% sequentially and 35% year-over-year. This growth was fueled by rising demand for our SRAM chips, driven by strong market momentum for leading AI processors.

Our profitability metrics also improved this quarter, with a 200-basis-point sequential increase in gross margin, and over 1,100 basis points compared to the prior year. We have also made meaningful progress on cost control over the Last year, with operating expenses declining by 15% year-over-year, excluding the gain from the sale of our headquarters in Q1 2025.

Now, I would like to provide an update on our product roadmap and customer milestones.

We have completed the evaluation of the second spin of our Gemini-II chip. I'm pleased to report that all known bugs have been resolved. The silicon is fully functional and ready for production. This week, a Leda-2 board and the associated algorithms were delivered to a key offshore defense contractor for proof of concept work with Gemini-II for satellites and drones.

This delivery keeps us firmly on track with our roadmap and customer commitments. And while this is a major milestone, we also believe it represents an opportunity to play in a broader market with Gemini-II. Didier will provide more details on this subject in a few moments.

GSI is at a pivotal point in its development. We plan to target high-growth opportunities for Gemini-II in the satellite, drone, and edge computing sectors. These are markets that are increasingly defined by AI-driven capabilities. We are evaluating options to access funds to expand our software and application team and develop the platform necessary for future customer fulfillment and support.

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Management is actively working with the Board and our advisors to evaluate strategic options that will enable us to scale efficiently. Our near-term priorities include funding the expansion of our software and application teams, and advancing the development of the platform required to support future customer deployments of Gemini-II. Accelerating the launch of Gemini-II is key to laying the groundwork for our next-generation APU, Plato, and advancing the company's long-term product roadmap.

In the meantime, the ATM has provided valuable flexibility, allowing us to raise \$ 11 million to date, net of fees. As a result, we ended the first quarter with a strengthened cash position of \$22.7 million.

Now, I'll hand the call over to Didier, who will discuss our business development and sales activities.

Please go ahead, Didier.

Didier Lasserre

Thank you, Lee-Lean.

Starting with our SRAM business, we had another strong quarter of sales to KYEC and Cadence Design Systems, a leading provider of AI chip emulation systems. We have experienced our third consecutive quarter of rising SRAM sales, driven by the growth with the enterprise adoption of AI, and also in generative AI by hyperscalers, who are training ever-larger models.

Despite continued strong demand for high-performance SRAM chips, extended lead times are impacting our Q2 FY26 sales. While customers have maintained typical ordering patterns, a portion of our backlog is not shippable this quarter due to these supply constraints. We've proactively informed all distributors and sales representatives of the situation. It may take some time for customers to adjust to the increased lead time accordingly. In the interim, we anticipate instances where orders cannot be fulfilled within the requested timeframe. Although forecasts from our largest customers remain solid, we expect SRAM revenue for the remainder of fiscal 2026 to be stable compared to Q1, as we navigate these supply chain challenges.

Switching to deliverables for our SBIRs, as Lee-Lean mentioned, we shipped a Leda-2 board with a Gemini-II chip to the offshore defense contractor, with whom we have been working for over a year. In parallel, we have also completed the development of our SAR and YOLO 3 and 5 algorithms, optimized for Edge AI applications, using a low-power version of Gemini-II on our Leda board. These are now available for POC opportunities with other partners.

Our defense work with the low-power version of Gemini-II has highlighted this chip's unique capability to address large models at the edge in varying capacity versions, depending on the latency and power sensitivity of the application. This makes Gemini-II, in conjunction with the SAR and YOLO 3 and 5 algorithms, very well positioned for the broader market potential of applications moving to the edge, and particularly for the high demand, high volume, and high mixed processing needs of drones operating in GPS-denied environments, as well as next-generation satellite applications.

Gemini II is also well-suited for LLMs (Large Language Models) for edge applications. LLM requires a high-density, high-performance memory path from external DRAM to the internal SRAM next to the processor. Gemini II's Compute-In-Memory architecture provides high-density, high-performance internal SRAM to allow a high-efficiency memory path for high-speed and low-power operations required by LLMs. Gemini II is also a bit process that is flexible to do 1-bit to 32-bit or larger operations in the same circuit efficiently, which further enhances the capability for LLM processing. We are developing a multimodal LLM targeting edge applications and will have benchmark results available next quarter.

To ease the adoption of the technology, we will continue to improve the AI Compiler for Gemini-II, which is currently in its initial release phase. In parallel, we continue to develop ready-to-use vision, multimodal, and recognition apps and libraries.

Our software team is also developing dynamic, low-precision software libraries that support larger models, enabling high accuracy at low power in edge devices. This is a major enabler of efficient edge AI, and, as a Bit engine, we are uniquely capable of addressing these edge needs, where compute, memory, and power resources are far more limited.

As Lee-Lean mentioned, we are eager to advance our software development team to pursue drone and satellite AI chip applications with Gemini-II.

Let me now switch to the first quarter's customer and product breakdown.

In the first quarter of fiscal 2026:

- sales to KYEC were \$267,000, or 4.3% of net revenues, compared to \$1.0 million, or 21.9% of net revenues, in the same period a year ago and \$1.7 million, or 29.5% of net revenues, in the prior quarter.
- sales to Nokia were \$536,000, or 8.5% of net revenues, compared to \$998,000, or 21.4% of net revenues, in the same period a year ago and \$444,000, or 7.5% of net revenues, in the prior quarter.
- sales to Cadence Design Systems were \$1.5 million, or 23.9% of net revenues, compared to \$0, or 0% of net revenues, in the same period a year ago and \$642,000, or 10.9% of net revenues, in the prior quarter.
- Military/defense sales were 19.1% of first quarter shipments compared to 31.9% of shipments in the comparable period a year ago and 30.7% of shipments in the prior quarter.
- SigmaQuad sales were 62.5% of first quarter shipments compared to 36.3% in the first quarter of fiscal 2025 and 39.3% in the prior quarter.

Regarding our SRAM business outlook, our largest customer is currently navigating supply chain constraints; however, we expect their order volume to remain stable for the rest of the fiscal year. Meanwhile, other SRAM customers have largely normalized their inventory levels, and we anticipate continued order activity from them as well.

I'd like to hand the call over to Doug. Go ahead, Doug.

Douglas Schirle

Thank you, Didier.

We reported net revenues of \$6.3 million for the first quarter of fiscal 2026, compared to \$4.7 million for the first quarter of fiscal 2025 and \$5.9 million for the fourth quarter of fiscal 2025.

Gross margin was 58.1% in the first quarter of fiscal 2026 compared to 46.3% in the first quarter of fiscal 2025 and 56.1% in the preceding fourth quarter of fiscal 2025. The increase in gross margin in the first quarter of 2026 was primarily due to product mix and benefits of scale from higher revenue on the fixed costs of revenues.

Total operating expenses in the first quarter of fiscal 2026 were \$5.8 million, compared to \$6.8 million in the year ago quarter, excluding a one-time gain of \$5.7 million on the sale and leaseback of the company's corporate headquarters, and \$5.6 million in the prior quarter.

- Research and development expenses were \$3.1 million, compared to \$4.2 million in the prior-year period and \$3.0 million in the prior quarter.
- Selling, general and administrative expenses were \$2.7 million compared to \$2.6 million in both the prior-year quarter and previous quarter.

First quarter fiscal 2026 operating loss was \$(2.2) million compared to an operating loss of \$(4.7) million in the year ago quarter, excluding the \$5.7 million one-time gain previously mentioned related to the company's corporate headquarters, and an operating loss of \$(2.3) million in the prior quarter.

First quarter fiscal 2026 net loss included interest and other income of \$13,000 and a tax provision of \$54,000, compared to \$55,000 in interest and other income and a tax provision of \$57,000 for the same period a year ago. In the preceding fourth quarter, net loss included interest and other income of \$52,000 and a tax provision of \$6,000.

Net loss in the first quarter of fiscal 2026 was \$(2.2) million, or \$(0.08) per diluted share, compared to net income of \$1.1 million, or \$0.04 per diluted share, for the first quarter of fiscal 2025. Net income for the year-ago period reflects the \$5.7 million one-time gain on the sale and leaseback transaction of the Company's headquarters. For the prior fourth fiscal quarter of 2025, net loss was \$(2.2) million, or \$(0.09) per diluted share.

Total first quarter pre-tax stock-based compensation expense was \$341,000 compared to \$658,000 in the comparable quarter a year ago and \$512,000 in the prior quarter.

At June 30, 2025, the Company had \$22.7 million in cash and cash equivalents, compared to \$13.4 million at March 31, 2025.

- Working capital was \$25.7 million as of June 30, 2025, versus \$16.4 million at March 31, 2025.
- Stockholders' equity as of June 30, 2025, was \$37.4 million, compared to \$28.2 million as of the fiscal year ended March 31, 2025.

On an earnings conference call in May of 2024, we announced that the Company had initiated a comprehensive strategic review, established a special committee of the board to evaluate various strategic alternatives, and engaged Needham & Company as our strategic and financial advisor to assist in the process. As Lee-lean mentioned, we are actively evaluating potential strategic opportunities to secure the necessary capital to advance the development of our APU. In the interim, we may choose to draw on the remaining balance of the ATM during upcoming trading windows to support near-term funding needs related to Gemini-II development, depending on market conditions and other factors.

Finishing with the outlook for the second quarter of fiscal year 2026, we expect net revenues for the second fiscal quarter to range between \$5.9 and \$6.7 million, with gross margin in the 56% to 58% range. We remain focused on disciplined execution to bring Gemini-II to market, advancing our roadmap for Plato, while driving long-term shareholder value.

Operator, at this point we will open the call to Q&A.

Operator

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star one, on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions.

The first question is from Tony Reino (phon) from—a Private Investor. Please go ahead.

Tony Reino

Hi, how are you guys?

Didier Lasserre

We're good, thank you.

Tony Reino

Can you provide a little more color on the supply chain issues?

Didier Lasserre

Sure, yes. I'm sure you're aware of all the tariffs that are being thrown around by the U.S. government, and a lot of these are directed at China. A lot of the folks who have been doing assembly in China are moving some of their assembly to Taiwan. It's really affecting the capacity in Taiwan. As you know, we do all of our backend in Taiwan. It's thrown out the lead times pretty much overnight to us because of that transition.

Tony Reino

Will that end up making the customers possibly order earlier?

Didier Lasserre

Correct, yes. That's something I mentioned a little earlier, which is, this came about very quickly, and then customers have been used to their ordering patterns based off of lead times we've quoted. We have gone back to them via our reps and our distributors to make sure they understand they need to get more backlog coverage in place so that their future orders will not be late or delayed.

In the future, we anticipate this won't be a problem. But for the current quarter end and possibly into next, there will be some backlog that would have been shippable that will be delayed a bit just because of these lead times.

Tony Reino

Yes, and it'll just make the further quarters probably even stronger than once we get out of that.

Didier Lasserre

Possibly.

Tony Reino

Yes. Sales to KYEC seem a little weak this quarter. Can you comment on that a little bit?

Didier Lasserre

Sure, yes. Part of that was the inventory levels that I mentioned in mine, which have seemed to stabilize, along with the lead time as well. Yes, unfortunately, those orders come in within lead time, and we've been able to react in the past, and we weren't able to this past quarter.

Tony Reino

With Cadence, those orders were pretty strong this quarter. What type of product are you shipping to them?

Didier Lasserre

Yes, so they're emulation systems. This is kind of what we've talked about, that even though we don't sell our SRAMs directly into AI applications, we do a lot of support. KYEC is supporting the manufacturing of AI chips. The Cadence Systems are emulations to emulate the design of some of these GPUs and other devices. It's emulation systems in the front end design.

Tony Reino

Okay, thank you. Last question, as far as the ATM is concerned, what are the trading windows for the Company for that?

Douglas Schirle

Typically, our trading window starts two days after our earnings call. In the case of this quarter, the trading window will open on Tuesday, and it closes on the 15 of the last month of the quarter. That would mean, in this case, September 15, for the last trading day up till the 15 of the month.

Tony Reino

Okay, all right. Thank you very much, guys, and good luck in the future. Thank you.

Douglas Schirle

Thank you, Tony.

Operator

There are no further questions at this time. I would like to turn the floor back over to Lee-Lean Shu for closing comments.

Lee-Lean Shu

Thank you all for joining us. Please join us on August 20 at upcoming Needham Virtual Semiconductor Conference.