



GSI Technology, Inc.

Third Quarter Fiscal 2026 Results Conference Call

January 29, 2026

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 and Corporate Secretary*

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

Robert Aguanno, *Needham & Company*

PRESENTATION

Operator

Welcome to GSI Technology's Third 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 statement.

The matters discussed in this conference call may include forward-looking statements regarding future events and the 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, January 29, 2026, at the request of GSI Technology.

Lee-Lean Shu, the Company's Chairman, President and Chief Executive Officer, will be hosting the call today. 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, and thank you for joining us to review our third quarter fiscal 2026 results.

I am encouraged by our overall progress this quarter. Revenue in the third quarter increased by 12% year over year and 28.5% on a fiscal year-to-date basis. Demand for our SRAM products remains solid, and we expect strong sales from our largest customers in the first half of calendar 2026.

After completing our financing in fall 2025, we advanced our APU roadmap. We began Plato hardware development after purchasing the required IP. We have also added contract engineers to support our hardware design team, keeping us on track to tape out Plato in early 2027.

We finalized an agreement with G2 Tech, an Israel-based AI company, for our recently announced proof-of-concept. We are partnering with G2 Tech on Sentinel, a program for autonomous perimeter security using drones and cameras. The project is backed by the U.S. Department of War and a foreign government agency. This government funding will offset our costs to build the software stack and libraries needed for this project. Didier will share more details shortly.

Another recent milestone is Gemini-II's Time-to-First-Token benchmarks, announced in a press released earlier today. For those who have not reviewed, please see today's release for the full details on the benchmark results and methodology. Accordingly, we reported 3-second time-to-first-token ("TTFT") performance for edge LLMs with text and video inputs, consuming approximately 30 watts of system power. Compared to third-party testing of competitive platforms, Gemini-II's TTFT delivered up to three times faster first token at lower power than competitive chips on the same workload. We believe these test results validate Gemini-II's fast response for edge use cases that need low power and low latency. In his comments, Didier will expand on the benchmark results.

We are making steady progress – advancing Plato, continuing to improve Gemini-II performance, and completing the Sentinel project. We are also pursuing early proof-of-concept and prototyping opportunities

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for Gemini-II in defense programs, including drones and unmanned systems, and in select commercial edge deployments. In parallel, we continue to pursue non-dilutive R&D funding through government defense programs and strategic partners.

With that, I hand the call over to Didier.

Didier Lasserre

Thank you, Lee-Lean. I'll start by expanding on some of Lee-Lean's comments.

I'll start by expanding on some of Lee-Lean's comments.

On the Sentinel POC, we expect to receive more than \$1 million in government funding. We will record this as an offset to R&D expenses. We plan to use it to complete key software milestones for the project, including software development for Gemma-3 12B on Gemini-II, ahead of the planned demonstration to government agencies later this year. Our POC partner, G2 Tech, is receiving additional funds to develop the drone platform for this demo.

I'm pleased to share that G2 Tech conducted a competitive evaluation, and GSI was selected based on Gemini-II's performance, delivering the lowest TTFT at 30 watts. If the government evaluation later this year is successful, it could lead to a potential Gemini-II design win with G2 Tech, and we would move to pursue additional opportunities with other drone and unmanned-system customers, beyond the POC sponsors.

Turning to today's press release on our Gemini-II TTFT benchmarks, we disclosed preliminary results showing a 3-second time-to-first-token for a multimodal model at the edge using video and text inputs, at approximately 30 watts of system power. TTFT is how long it takes a system to produce the first response, which is critical for drones and unmanned systems.

The threshold for a useful TTFT in video surveillance, to ensure nothing is missed, is 3 seconds. That means we are sampling the video image every 3-seconds. If the TTFT is 10-seconds, it's too long so the surveillance video could miss something. In preparation for the Sentinel demo, we will continue improving TTFT over the next 5 months to further reduce Gemini-II's first response time.

What's exciting for GSI about these Gemini-II preliminary benchmark results is that they demonstrate what compute-in-memory can provide for physical AI—faster time-to-first-token at materially lower chip power. This will help enable a broader set of viable, cost-effective deployments.

For added color, at CES 2026, there was a clear shift toward edge AI and “physical AI” systems that must make real-time decisions under tight power constraints. In that context, Intel noted that TOPS, the number of operations per second, doesn't tell the whole story. What matters more in edge AI and physical AI is real-world workload performance and efficiency. That is the takeaway for us as well: for edge inference, performance per watt and responsiveness matter more than peak training metrics.

We are confident that our compute-in-memory APU architecture, designed to reduce data movement, is well-suited for power-constrained edge inference. Our near-term focus is to continue validating this with additional benchmarks and customer proofs-of-concept—and convert that progress into design wins for Gemini-II.

And to be clear: we are not trying to compete with folks at training in datacenters. Our goal is to be a strong option for fast, low-power edge AI applications.

Switching to the customer and product sales breakdowns, in the third quarter of fiscal 2026, sales to KYEC were \$1.1 million, or 17.9% of net revenues, compared to \$1.2 million, or 22.7% of net revenues, in the same period a year ago and \$802,000, or 12.5% of net revenues, in the prior quarter. Sales to Nokia were \$675,000, or 11.1% of net revenues, compared to \$239,000, or 4.4% of net revenues, in the same period

a year ago and \$200,000, or 3.1% of net revenues, in the prior quarter. Sales to Cadence Design Systems were \$233,000, or 3.8% of net revenues, compared to \$971,000, or 17.9% of net revenues, in the same period a year ago and \$1.4 million, or 21.6% of net revenues, in the prior quarter.

Military/defense sales were 28.5% of third quarter shipments compared to 30% of shipments in the comparable period a year ago and 28.9% of shipments in the prior quarter. SigmaQuad sales were 41.7% of third quarter shipments in fiscal 2026 compared to 39.1% in the third quarter of fiscal 2025 and 50.1% in the prior quarter.

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

Douglas Schirle

We reported net revenues of \$6.1 million for the third quarter of fiscal 2026, compared to \$5.4 million for the third quarter of fiscal 2025, and \$6.4 million for the second quarter of fiscal 2026.

Gross margin was 52.7% in the third quarter of fiscal 2026, compared to 54% in the third quarter of fiscal 2025, and 54.8% in the preceding second quarter of fiscal 2026. The decrease in gross margin in the third quarter of 2026 was primarily due to product mix.

Total operating expenses in the third quarter of fiscal 2026 were \$10.1 million, compared to \$7 million in the third quarter of fiscal 2025 and \$6.7 million in the prior quarter. Research and development expenses were \$7.5 million, compared to \$4 million in the prior year period and \$3.8 million in the prior quarter. The increase in research and development spending compared to the prior quarter is primarily due to the purchase of IP for the development of Plato and associated consulting expenses.

Selling, general and administrative expenses were \$2.6 million in the quarter ended December 31, 2025, compared to \$3 million in the prior year quarter and \$3 million in the previous quarter.

Third quarter fiscal 2026 operating loss was \$6.9 million, compared to an operating loss of \$4.1 million in the prior year period and an operating loss of \$3.2 million in the prior quarter. Third quarter fiscal 2026 net loss included interest and other income of \$3.6 million, reflecting a noncash accounting adjustment of \$6.2 million for the change in fair value of the prefunded warrants and issuance costs of \$2.8 million for the recent registered direct offering, and a tax benefit of \$251,000 compared to \$70,000 in interest and other income and a tax provision of \$44,000 for the same period a year ago. In the preceding second quarter, net loss included interest and other income of \$43,000 and a tax provision of \$41,000.

Net loss in the third quarter of fiscal 2026 was \$3 million or \$0.09 per diluted share, compared to net loss of \$3.2 million or \$0.11 per diluted share for the second quarter of fiscal 2026. For the prior year third fiscal quarter of 2025, net loss was \$4 million or \$0.16 per diluted share. Total third quarter pretax stock-based compensation expense was \$783,000, compared to \$429,000 in the comparable quarter a year ago, and \$856,000 in the prior quarter.

Beginning this quarter, GSI is expanding the cash disclosures in its quarterly earnings release process to help Investors understand the Company's cash consumption and cash generation. Going forward, we will disclose the beginning cash balance, net cash used by operating activities, net cash used by investing activities, and net cash provided by financing activities. This will complement the condensed consolidated statement of cash flows included in our Forms 10-K and 10-Q.

Cash flows for the quarter ended December 31, 2025 in thousands of dollars: cash and cash equivalents as of September 30, 2025 were \$25.3 million; net cash used in operating activities was \$7.9 million; net cash used in investing activities was \$296,000; and net cash provided by financing activities were \$53.5 million. Cash and cash equivalents as of December 31, 2025 were \$70.7 million. The increase in cash and cash equivalents as of December 31, 2025, primarily reflects \$46.9 million in net proceeds from the

Company's October 22, 2025 registered direct offering. Cash used in operation activities include spending for the development and commercialization of Gemini-II and Plato.

December 31, 2025, we had \$70.7 million in cash and cash equivalents, compared to \$13.4 million at March 31, 2025. Working capital was \$71.7 million as of December 31, 2025, versus \$16.4 million at March 31, 2025. Stockholders equity as of December 31, 2025, was \$83.6 million, compared to \$28.2 million as of the fiscal year ended March 31, 2025.

Before I hand the call over to the Operator for Q&A, I'd like to provide the fourth quarter fiscal 2026 outlook. Current expectations for the upcoming fiscal fourth quarter are net revenues in the range of \$5.7 million to \$6.5 million with gross margin of approximately 54% to 56%.

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

Operator

Thank you. Ladies and gentlemen, if you would like to ask a question, please press star, one on your telephone keypad and a confirmation tone will indicate that your line is in the question queue. You may press star, two to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. In the interest of time, we ask you to limit yourself to one question and one follow-up and then return to the queue for any other follow-ups. Thank you.

Our first question comes from the line of Quinn Bolton with Needham & Company. Please proceed.

Robert Aguanno

Hi, guys. This is Robert Aguanno on for Quinn here. Congrats on all the progress on Gemini-II.

I just wanted to ask, you also announced during the quarter a partnership with G2 Tech as well, and that application for defense. Maybe how important is kind of the defense applications for Gemini-II? How does that establish the capabilities of Gemini in sort of real world applications? Can you speak to potential commercial uses beyond kind of drones and defense and how this may impact the business going forward?

Didier Lasserre

Sure, Rob. Certainly, the mil and defense area have been the sectors that we've had our early successes in. We've talked about it in the past. We've had some of the SBIR wins with entities under the DoD—or DoW as it's called today—specifically with the Air Force, Space Development Agency and U.S. Army. We certainly have had some successes there in getting the message out.

We've also talked about a SAR application, a board that we sent out to an offshore defense contractor for a LEO satellite for SAR in which they're doing their evaluation now. Certainly, this is the area that has adopted our technology most quickly. As you mentioned, with G2 Tech, it's a nice partnership because they're able to actually bring a product using our sub system APU to create a true product, in this case, like you said, a drone and camera surveillance system.

Can you repeat the last part of the question though? (Cross-talking)

Robert Aguanno

Yes.

Didier Lasserre

Yes. Good point. The effort we're doing right now with this POC, this time-to-first-token and the whole Gemma-III 12B, lends itself to other applications outside of drones and unmanned vehicles, things like smart cities, things like robotics. Certainly, we will be able to leverage all the work we're doing now for this current POC with G2 Tech for these other markets as well.

Robert Aguanno

For sure. Thanks for that. Just one more on, you mentioned the government funding as a catalyst for 2026. Can you talk through maybe potential timelines of when you expect this funding to come in? And any other details that you have on that front would be great.

Didier Lasserre

Yes. For SBIRs, we have a continuous pipeline of submittal. We have a handful right now that have already been submitted and we're waiting for word on whether we've been awarded or not, and we have others that we are putting together. This is an ongoing process. There are different levels. They fall under the classic SBIRs. There's also other areas like BAA, which stands for Broad Agency Announcement, I believe, STRATFI. There are other programs where other fundings are involved. We're active in all those areas. Again, the benefit of this funding is it's non-dilutive, first, and secondly, it allows us to get more exposure within the DoD elements for future business.

Robert Aguanno

Great. Thanks. That's all from me for now.

Didier Lasserre

Thank you.

Operator

As a reminder, if you would like to ask a question please press star, one and a confirmation tone will indicate your line is in the question queue.

Lee-Lean Shu

It seems like there are no more questions from the Investors. Thank you all for joining us. We look forward to speaking with you again when we report our fourth quarter and the full year fiscal 2026 results. Thank you.

Operator

Thank you. This concludes today's conference. You may disconnect your lines at this time, and thank you for your participation.