GSI Technology

Fourth Quarter and Fiscal Year 2025 Results Conference Call

May 1, 2025

CORPORATE PARTICIPANTS

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

Didier Lasserre, *Vice President, Sales*

Douglas Schirle, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Michael Cooper, *Private Investor*

Robert Christian, *Acoustic Technologies*

Jeff Bernstein, *Silverberg Bernstein Capital*

PRESENTATION

Operator

Welcome to GSI Technologies Fourth Quarter and Fiscal Year 2025 Results Conference Call.

At this time, all participants are in 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, May 1, 2025, 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 fourth quarter and fiscal year 2025 financial results.

Let's start with a few highlights from fiscal year 2025. We closed the fourth quarter with solid revenue growth, a significantly reduced net loss, and a meaningful improvement in cash burn—finishing the year with $13.4 million in cash and a more disciplined operating structure. Revenue for the fourth quarter increased by 14% year-over-year and 9% sequentially to $5.9 million, driven by strong demand for our SRAM chips. As we exited the year, this revenue growth and lower operating expenses resulted in a sharp reduction in quarterly net loss and a material decrease in cash usage.

For fiscal year 2025, while annual revenue declined 6% compared to the prior year, we meaningfully reduced our net loss by 47%—from $20.1 million in 2024 to $10.6 million—driven by a 35% reduction in operating expenses. This structural cost improvement is central to our goal of preserving cash and extending our runway. We expect to maintain our quarterly operating expenses at current levels to minimize our cash burn until we secure new funding sources.

In the fourth quarter, we made good progress across multiple fronts to advance our technology roadmap and commercial strategy. Noteably, we secured an initial order for radiation-hardened SRAM from a North American prime contractor, a key validation of our product. We anticipate follow on orders this fiscal year. These chips carry a significantly higher gross margin than our traditional SRAM. Didier is the point person with this customer and will expand further on the opportunity.

Our ongoing SBIR programs with Governmental agencies are progressing well, and we are successfully meeting our milestones. To date, our SBIRs have generated payments totalling $1.6 million and we anticipate receiving an additional $1.0 million once we complete the programs. This quarter, $870,000, was booked as a reduction to R&D expense, further helping to lower operating expenses.

We are especially excited about a recent enhancement to Plato: adding the integration of a camera interface directly into the chip. This new feature, paired with other connectivity enhancements, allows the chip to interface with a wide range of sensors. This makes Plato particularly well-suited for AI agents requiring object recognition. The new capability has increased strategic interest in Plato, and we are currently in preliminary discussions with multiple parties to secure partnerships and access funds for the next phase of development. Didier will provide more details on this exciting development.

As we look ahead to fiscal year 2026, we plan to build on the progress of our APU development, drive continued growth in SRAM sales, and advance execution of our strategic initiatives across both commercial and government markets. At the same time, we remain committed to maintaining operational efficiency.

In parallel, we continue to explore strategic alternatives, with a primary focus on securing funding to support the next phase of Plato's development. We are also working with our banking team to explore other options that could provide new sources of cash to execute our AI strategy.

With that, I will now hand the call over to Didier.

Didier Lasserre

As Lee-Lean mentioned, this quarter's primary revenue driver was the continued strong demand for our high density SRAM. Our SRAM has been deployed in critical systems used in chip manufacturing, and the recent uptick in business with KYEC is being driven by surging demand for next-generation AI chips from a leading GPU provider. Despite the ongoing tariff negotiations between the US and its trading partners, we currently anticipate the demand from this customer to continue in fiscal year 2026 at a similar level to that we experienced in 2025. That said, we may have some variability in the timing of shipments, but importantly, demand is still anticipated to remain consistent.

The big news this quarter is an initial order for our radiation-hardened SRAM. While waiting for the forecast from the prime contractor, we anticipate follow-on orders in fiscal 2026. In addition, we are actively working with the customer to secure heritage status. Gaining this status would enhance the market acceptence of our radiation hardened SRAM, and unlock access to new, high-value sales channels. It is worth noting that radiation hardened SRAMs carry a gross margin well above those of our traditional SRAM chips, providing a strong financial lever as we work to reduce our net loss and cash burn.

Let me switch to Plato and elaborate on Lee-Lean's earlier comments. By integrating a camera interface directly into the chip alongside enhanced connectivity features, Plato significantly broadens its addressable market. Able to process data locally without relying on cloud infrastructure, it's now optimized for edge devices and ideal for agents performing object recognition.

To clarify what an "agent" is, it's helpful to look at how the approach to AI is shifting to "agentic AI". These AI systems that don't just analyze data but also act independently, for example generating motor commands for a robot or drone. This involves multiple capabilities that a single-purpose GPU is not well suited for. Plato, on the other hand, can manage a combination of computing tasks that involve more than just a single number crunching or graphics workload.

Put another way, Agentic AI goes beyond basic data analysis—it must make decisions, process inputs from sensors like cameras and microphones, respond in real time, and take actions in the physical world. In this context, Plato's capabilities position it at the forefront of sectors preparing for significant growth, driven by the increasing demand for intelligent, autonomous systems, or "agents", across various industries at the edge. Thus, interest in Plato has grown among the strategic partners we've engaged with over the past year.

Pivoting to our ongoing SBIRs, as Lee-Lean stated, these projects are on track, and we are meeting the milestones. As a reminder, we are currently working on Phase-II contracts with the Space Development Agency and Air Force Research Labs and, most recently, announced a Phase-I contract with the US Army.

As planned, we delivered a server with a Leda-2 board to the Air Force Research Labs, and will shortly deliver another Leda-2 board to the Space Development Agency. The Phase I SBIR for the US Army contract is evaluating the use of Gemini-II in edge computing AI solutions, and we are on track to meet all expectations with this partner.

This quarter, we also delivered a "YOLO" algorithm for the Air Force Research Labs, including the benchmarks for a real-time object detection application. We continue to increase the performance of the YOLO algorithms, which can immediately determine the exact placement and identify the type of objects. We plan to deliver the improved Yolo 3 and Yolo 5 algorithms this summer.

Lastly, an update on our SAR projects – we made further progress with an offshore defense R&D customer, which ordered a Gemini-II system to evaluate the chip's capabilities for low-power in-flight applications. We will be shipping the system this quarter. This organization is also a potential funding partner for Plato. In addition, a U.S. aerospace company continues to evaluate our Gemini for onboard satellite applications. Taken together these activities support the use of Gemini-II for integrated edge applications such as SAR generation in drones with subsequent object detection and actionable decisions.

Now, I'll move on to the customer and product breakdowns for the fourth quarter. In the fourth quarter of fiscal 2025, sales to KYEC were $1.7 million, or 29.5% of net revenues, compared to $544,000, or 10.6% of net revenues, in the same period a year ago and $1.2 million, or 22.7% of net revenues, in the prior quarter. In the fourth quarter of fiscal 2025, sales to Nokia were $444,000, or 7.5% of net revenues, compared to $694,000, or 13.5% of net revenues, in the same period a year ago and $239,000, or 4.4% of net revenues, in the prior quarter. Military/defense sales were 30.7% of fourth quarter shipments compared to 35.5% of shipments in the comparable period a year ago and 30.0% of shipments in the prior quarter. SigmaQuad sales were 39.3% of fourth quarter shipments compared to 42.4% in the fourth quarter of fiscal 2024 and 39.1% in the prior quarter.

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

Douglas Schirle

Beginning with the results for the quarter. We reported net revenues of $5.9 million for the fourth quarter of fiscal 2025 compared to $5.2 million for the fourth quarter of fiscal 2024 and $5.4 million for the third quarter of fiscal 2025.

Gross margin was 56.1% in the fourth quarter of fiscal 2025 compared to 51.6% in the fourth quarter of fiscal 2024 and 54.0% in the preceding third quarter of fiscal 2025. The year-over-year and sequential increase in gross margin was primarily due to higher revenue and product mix.

Total operating expenses in the fourth quarter of fiscal 2025 were $5.6 million compared to $7.2 million in the fourth quarter of fiscal 2024 and $7.0 million in the prior quarter.
Research and development expenses were $3.0 million compared to $4.8 million in the prior year period and $4.0 million in the prior quarter. Research and development expenses in the fourth quarter of fiscal 2025 were reduced by $870,000, reflecting government funding under the SBIR programs.
Selling, general and administrative expenses were $2.6 million in the quarter ended March 31, 2025, compared to $2.4 million in the prior year quarter and $3.0 million in the previous quarter.

Fourth quarter fiscal 2025 operating loss was $2.3 million compared to an operating loss of $4.5 million in the prior year period and $4.1 million in the prior quarter.

Fourth quarter fiscal 2025 results included interest and other income of $52,000 and a tax provision of $6,000 compared to $108,000 in interest and other income and a tax benefit of $85,000 for the same period a year ago. In the preceding third quarter, net loss included interest and other income of $70,000 and a tax provision of $44,000.

Net loss in the fourth quarter of fiscal 2025 was $2.2 million or ($0.09) per diluted share compared to a net loss of $4.3 million or ($0.17) per diluted share for the fourth quarter of fiscal 2024 and a net loss of $4.0 million or ($0.16) per diluted share for the third quarter of fiscal 2025.

Fourth quarter pretax stock-based compensation expense was $512,000 compared to $693,000 in the comparable quarter a year ago and $429,000 in the prior quarter.

Turning now to the full year results for fiscal 2025…
We reported net revenues of $20.5 million for fiscal 2025 compared to $21.8 million for fiscal 2024.

Gross margin for fiscal 2025 was 49.4%, compared to 54.3% in the prior year. The decrease in gross margin was primarily due to product mix and the effect of lower revenue on the fixed costs in our cost of revenues.

Total operating expenses were $21.0 million in fiscal 2025, compared to $32.3 million in fiscal 2024.
Research and development expenses were $16.0 million, compared to $21.7 million in the prior fiscal year.
Selling, general and administrative expenses were $10.8 million, compared to $10.6 million in fiscal 2024.
The decline in research and development expenses was primarily due to cost reductions announced in August 2024. Research and development expense in fiscal 2024 included pre-production mask costs of $2.4 million related to our APU-2 product.
Research and development expenses in fiscal 2025 and fiscal 2024 were reduced by $1.2 million and $440,000, respectively, reflecting government funding under the SBIR programs.
Operating expenses in fiscal 2025 include a gain on the sale of assets of $5.8 million from the sales of the Company's headquarters building in Sunnyvale, CA in a sales and leaseback transaction.

The operating loss for fiscal 2025 was $(10.8) million compared to an operating loss of $(20.4) million in the prior year. The fiscal 2025 net loss included interest and other income of $326,000 and a tax provision

of $130,000, compared to $414,000 in interest and other income and a tax provision of $70,000 in the prior year.
For the fiscal year ended March 31, 2025, we reported a net loss of $10.6 million, or $(0.42) per diluted share, compared to a net loss of $20.1 million, or $(0.80) per diluted share in the prior fiscal year.

On March 31, 2025, the Company had $13.4 million in cash and cash equivalents compared to $14.4 million at March 31, 2024. Working capital was $16.4 million as of March 31, 2025, versus $24.7 million at March 31, 2024. Stockholders' equity as of March 31, 2025, was $28.2 million compared to $36.0 million as of the fiscal year ended March 31, 2024.

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

Operator

Thank you. Ladies and gentlemen, we will now be conducting a question-and-answer session. If you would like to ask a question, please press star and one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star and 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 key. Ladies and gentlemen, we will wait for a moment while we poll for questions.

Our first question comes from the line of Michael Cooper, Private Investor. Please go ahead.

Michael Cooper

Good evening. Can you talk a little bit about the market for the Plato chip and the Gemini-II chip? How large are these markets? How do they scale over what time period? Just give us a sense for the market conditions here. Thank you.

Didier Lasserre

Sure. We haven't actually put out the TAM numbers yet but just to talk about the markets. For the Gemini-II, think of it as an extension of Gemini-I, but for the edge. Gemini-I was really to illustrate our capabilities in search and also some high-performance computing applications like SAR. What Gemini-II will do will take that, but take it to the edge. Gemini-I was not built to be a low-power solution, with the accompanying FPGA that we've talked about in the past. With the Gemini-II, we can get closer to the edge. While Gemini-I would do SAR applications on ground level in a building, we are now looking at Gemini-II to do a SAR application actually on a drone or on a satellite at the edge. We're looking at search and high-performance computing at the edge for Gemini-II.

For Plato, it's not going to be for the search market. It's going to be for the LLM market. When most folks think about large language models and Gen AI they think of it in the data center. We're taking that capability to the edge. Think of Gen AI and LLM models more at the edge.

Operator

Thank you.

Didier Lasserre

Thanks, Michael.

Operator

Michel, does that answer your question.

Michael Cooper

Yes. It does. Thank you. Yes. That's it. Thank you very much.

Operator

Thank you. The next question comes from the line of Robert Christian with Acoustic Technologies. Please go ahead.

Robert Christian

Yes. Thanks for taking my call. I was wondering is the Company experiencing any interest in the Gemini-II stand-alone chip from commercial companies other than say the military? Is the Company still working with the hyperscalers? Thank you.

Didier Lasserre

Good question. Honestly, the majority of the early interest have come from more of the mill defense type of applications and they are looking at it on a component level as well. We do have what we call the Leda-2 board, which I discussed a little earlier that we have delivered and will be delivering to some of our partners. With the board we're delivering it with a SAR algorithm or some YOLO algorithm that's been developed, which is why they're getting a card. But some of the folks that we have been having discussions with they are looking for a chip only, because they will be mounting it on a drone or in a satellite. One of our other integrating partners that we've discussed in the past they're actually going to be developing their own miniaturized board. They will be procuring just the Gemini-II chips from us to put on their proprietary board. The answer is yes, we are seeing interest on the chip level, but there's also some board level interest as well.

Robert Christian

Okay. How about the hyperscalers?

Didier Lasserre

Yes. The hyperscalers, we're really focusing more on the edge right now. We have had discussions with them. That's a longer process with those folks. We find that with the military folks it's just a much quicker path to revenue.

Robert Christian

Okay. Can you share with the shareholders a little more detail if you can on what Needham is bringing to the table?

Douglas Schirle

Well, really nothing is off the table at this point. It could be sale of assets. It could be funding into the Company. It could be helping us with opportunities for R&D funding, help with development of products that we're looking at. It really could be just about anything.

Robert Christian

Okay. But you can't share any specifics at this time then?

Douglas Schirle

There's nothing specific to talk about at this point or at this time yet.

Robert Christian

Okay. Thank you.

Operator

Thank you. Our next question comes from the line of Michael Cooper, who is an investor. Please go ahead.

Michael Cooper

Actually, sorry, the last part of that last question, answered my question which was what has Needham actually presented as options or opportunities for you and it doesn't sound like they've done an awful lot there.

Douglas Schirle

There have been things that we've looked at but nothing has resulted in anything yet or nothing to talk about.

Michael Cooper

Okay. Thank you.

Operator

Thank you. A reminder to all the participants, if you wish to ask a question, please press star and one on your telephone keypad.

The next question comes from the line of Jeff Bernstein with Silver Bernstein Capital. Please go ahead.

Jeff Bernstein

Yes. Just a quick one, could you give us what cash flow from operations was in the quarter and what your CapEx was?

Douglas Schirle

I don't have it for the quarter, but I have cash flow for the year. For the year, cash used in operating activities will be about $12.9 million.

Jeff Bernstein

Okay. What was CapEx for the year?

Douglas Schirle

Very little. Fixed asset additions during the year were like $45,000 very little, very minor. I'm looking at fixed asset acquisition right now.

Didier Lasserre

Yes.

Jeff Bernstein

Okay. That's great. Thank you.

Operator

Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Shu, for closing remarks.

Lee-Lean Shu

Thank you all for joining us. We look forward to speaking with you again, when we report our first quarter fiscal 2026 results. Thank you.

Operator

Thank you. This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.