

S&P Global

Market Intelligence

SkyWater Technology, Inc.

NasdaqCM:SKYT

Earnings Call

Wednesday, May 7, 2025 9:30 PM GMT

CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	8

Call Participants

EXECUTIVES

Claire McAdams

Steve Manko
Chief Financial Officer

Thomas J. Sonderman
CEO & Director

ANALYSTS

Nathaniel Quinn Bolton
*Needham & Company, LLC,
Research Division*

Richard Cutts Shannon
*Craig-Hallum Capital Group LLC,
Research Division*

Robert Bruce Mertens
TD Cowen, Research Division

Robert F. Aguanno
*Piper Sandler & Co., Research
Division*

Presentation

Operator

Good afternoon, and welcome to SkyWater Technology's First Quarter 2025 Financial Results Conference Call. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to turn the call over to Claire McAdams, Investor Relations for SkyWater. Please go ahead.

Claire McAdams

Thank you, operator. Good afternoon, and welcome to SkyWater's First Quarter 2025 Conference Call. With me on the call today from SkyWater are Thomas Sonderman, Chief Executive Officer; and Steve Manko, Chief Financial Officer. I'd like to remind you that our call is being webcast live on SkyWater's Investor Relations website at ir.skywatertechnology.com. The webcast will be available for replay shortly after the call concludes. On the Events page of our IR website, we have posted a slide presentation that accompanies today's call. Also posted is our financial supplement, which summarizes our quarterly and annual financial results for the last 3 years, including all non-GAAP adjustments and comparisons to our GAAP result, as well as the impact of tool sales on our gross margins.

During the call, any statements made about our future financial results and business are forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially. For a discussion of these risks and uncertainties, please refer to our filings with the Securities and Exchange Commission, including our earnings release filed on Form 8-K today and our fiscal 2024 Form 10-K. All forward-looking statements are made as of today, and we assume no obligation to update any such statements. During this call, we will discuss non-GAAP financial measures. You can find a reconciliation of these non-GAAP financial measures to GAAP financial measures in our earnings release, our financial supplement and in our Q1 earnings presentation, all 3 of which are posted on our Investor Relations website. Also on our IR website Events page, you'll see that we plan to participate in 3 investor conferences in Q2: B. Riley in L.A., Craig-Hallum in Minneapolis and TD Cowen in New York. We are also in the early stages of planning our Capital Markets Day at Feb 25 in Austin, PEQ this summer before Q2 reporting season. Please feel free to contact me directly for any investor follow-up requests.

With that, I'll turn the call over to Tom.

Thomas J. Sonderman

CEO & Director

Thank you, Claire, and good afternoon to everyone on the call. Our revenues for the first quarter were closely aligned with the outlook provided in February and just above the midpoint of our guidance range. Gross margin and non-GAAP EPS both exceeded guidance and adjusted EBITDA performance was stronger than forecast at over \$4 million. The upside achieved in Wafer Services during Q1 was driven by strong traction from our recently launched ThermaView platform. This launch represents a significant strategic milestone for our company. ThermaView is a dedicated 90-nanometer CMOS and MEMS platform, focused on the rapidly growing advanced thermal imaging market. The initial traction we are seeing from our lead customers is an important indicator that underscores both the relevance of this highly differentiated technology and the strength of our operating model for co-creating technologies and transitioning them efficiently to production. New products drove over half of Q1's Wafer Services revenue, led by ThermaView as well as recent ATS to Wafer Services conversions, a meaningful shift from 2024's 90% legacy mix.

Despite potential ThermaView lumpiness during ramp-up, new products will fuel most of Wafer Services growth in 2025, supporting sustainable innovation-driven growth at our Minnesota fab, further increasing its long-term revenue contribution. Offsetting the strength in Wafer Services was a slightly softer quarter for ATS compared to our expectations going into the quarter. The continued budget delays and extended

negotiations occurring in Washington, D.C. are impacting our near-term revenue outlook, while the U.S. government continues to operate at 2024 spending levels.

Once resolved, we are prepared to execute aggressively and expect a strong snapback in ATS revenue in the second half of 2025. SkyWater's full year outlook remains largely unchanged from our last earnings call. On today's call, I want to reiterate the strategic rationale for expanding 200-millimeter foundry capacity in the U.S. through the pending acquisition of Infineon's flagship Fab 25 in Austin, Texas, and discuss the unique value SkyWater brings to this opportunity.

Semiconductor sovereignty in the U.S. isn't a one-size-fits-all equation. It requires increased domestic capacity across both advanced and foundational nodes, as well as the establishment of a comprehensive domestic packaging and test infrastructure.

The future manufacturing landscape will include a mix of form factors, 200-millimeter, 300-millimeter and panel-based technologies, each occupying distinct and essential roles in the broader value chain. SkyWater's acquisition of Fab 25 is a strategic step to meet this multi-dimensional need. Recognized as one of the most advanced 200-millimeter CMOS fabs in the Western Hemisphere. Fab 25 is expected to unlock new domestically sourced foundry capacity, creating customer opportunities for both new product development and the dual sourcing of critical foundational semiconductors.

The 200-millimeter format remains the optimal manufacturing base for a wide range of specialty technologies, including analog and mixed-signal ICs, power management, RF, MEMS, sensors and high-voltage CMOS. These technologies are critical to high-growth sectors such as automotive, in particular, autonomous driving and EV power control, industrial automation and sensing, medical devices and defense systems. We believe Fab 25 occupies a strategic sweet spot in capabilities, delivering the output scale, quality standards and process flexibility needed to meet the evolving demands of these markets, all while remaining aligned with secure U.S. based supply chain goals.

Supported by 4-year supply agreement valued at over \$1 billion, this acquisition will provide immediate revenue and positive cash flow to our company. The acquisition will further enhance our ability to extend our differentiated technology as-a-service model to a broader range of customers, diversifying our revenue base and advancing our mission as an essential enabler of America's semiconductor onshoring and industrial resilience strategy. We continue to proceed to an expected mid-year closing, and we currently anticipate holding our planned Capital Markets Day at Fab 25 in Austin in early to mid-July.

Now moving to our partner, D-Wave's historic announcement made during Q1, demonstrating quantum supremacy and simulation, an industry-defining milestone proving that quantum systems can outperform classical computers on targeted problems. We believe this breakthrough underscores SkyWater's vital role in enabling real-world quantum innovations through its secure U.S. based manufacturing capabilities. The demand for quantum computing innovation is both strong and accelerating, fueled by intense global competition for mind share, market share and technical leadership. Momentum continues to build around this technology space as commercial and government stakeholders alike race to capitalize on its transformational potential.

We believe SkyWater is uniquely positioned in this dynamic landscape. In 2024, advanced compute grew to become our second largest end market after aerospace and defense. Over 90% of our revenues from the advanced compute segment last year were related to Quantum technology development with key customers, including D-Wave and Si-Quantum. Our Technology as-a-Service model provides a critical bridge for lab-to-fab breakthroughs, leading to scalable production-ready solutions, offering support for superconducting photonic and other qubit technologies.

SkyWater's superconducting technology leverages proprietary process integration schemes, cryogenic testing capabilities and advanced packaging platforms. When coupled with the highest levels of quality and reliability, SkyWater's approach ensures rapid innovation and trusted onshore scaling. These capabilities make our company an instrumental partner in unlocking the advancements that quantum computing promises to deliver, enabling further AI leadership and enhancing our national security. We congratulate D-Wave on this important accomplishment and look forward to communicating our continued success in

Quantum technology enablement as our revenue growth in this nascent but important segment continues to gain traction.

Turning to the current demand environment. Our ATS business, which drives the majority of the revenue for the company, has continued to face challenges from prolonged U.S. federal budget negotiations, delaying the timing of key program funding for our A&D customers. Last quarter, we expected improved visibility and a strong ATS recovery in Q2. However, the resulting continuing resolution has shifted several anticipated program spending level increases into the second half of the year.

Importantly, this is not a matter of program viability or customer demand. These are strategic mission-critical initiatives that remain fully supported by our partners and the administration. In most cases, we continue to execute our ATS programs at 2024 spending levels with anticipated funding releases later in 2025.

Based on today's visibility, we continue to expect that increased program funding will drive solid ATS growth beginning in Q3. The fundamentals of these programs remain strong. Our execution readiness is high, and we continue to see clear customer alignment on the need for rapid progress once funding is approved. We also expect our Florida advanced packaging platform development to further contribute to ATS revenue, adding additional momentum to the second half.

Given our current visibility and customer commitments to second half funding, we are maintaining our full year revenue guidance range of 5% revenue growth for our combined ATS and Wafer Services business, plus or minus 2%. Due to funding delays, we expect the year will be more back half weighted than originally forecast. We believe we will achieve year-over-year growth in both ATS and Wafer Services in 2025.

Now I'd like to say a few words about the current uncertainty regarding tariff policy. So far, we have seen no downward revisions in the demand forecast from our major customers in response to the new tariffs. Although we cannot eliminate all tariff risk as an exclusively domestic U.S. semiconductor manufacturer, we believe our overall tariff exposure is limited, especially in comparison to most multinational manufacturers in our industry.

Importantly, we do not expect any significant impact to our business in defense, which is our primary end market. While we use some imported materials in our defense programs, these products are entirely manufactured in the U.S. We do not anticipate that the impact of potentially higher input costs will have an adverse effect on the demand for the long-term profitability of these important programs.

During this period, we are proactively managing costs and aligning our execution plans to help ensure we are well positioned to capitalize on the anticipated second half ramp. Overall, we believe these temporary periods of uncertainty do not diminish the long-term strategic value of our defense programs or our outlook for 2025.

For Q2 specifically, we expect total revenues in the range of \$55 million to \$60 million. We expect ATS revenues in the \$49 million to \$53 million range and tools revenue just under \$1 million. With Q1 Wafer Services exceeding our expectations, we anticipate some lumpiness in Q2 as these new programs begin their production ramp, leading to between \$5 million to \$6 million of expected Wafer Services revenues in the current quarter. We expect a stronger second half of 2025 with significant sequential growth in both Q3 and Q4, driven in part by the ongoing ramp of our advanced packaging business.

SkyWater continues to aim for positive non-GAAP EPS for the year.

I will now turn the call over to Steve.

Steve Manko
Chief Financial Officer

Thank you, Tom. First quarter revenue of \$61.3 million came in just above the mid-point of our guidance range. Combined ATS and Wafer Services revenue was \$60.1 million, and tools revenue was \$1.2 million. Upside in Wafer Services more than offset the temporary softening in ATS as a result of government

budget delays in Washington, D.C. Our Q1 gross margin exceeded our expectations at 24.2% and the impact of tools in the quarter was less than 20 basis points. Q1 gross margin benefited from a roughly \$2 million favorable reversal of a warranty accrual recorded last year. Adjusted EBITDA of \$4 million was stronger than forecast as a result of favorable gross margin performance, as well as lower OpEx.

Q1 OpEx was \$15.2 million and with continued close management of spending levels, we currently expect the increase in operating expenses for the full year will be at the lower end of the 10% to 15% increase expected for 2025 communicated previously.

Turning to the balance sheet. We ended the quarter with \$51 million in cash, an increase of \$32 million from year-end. The majority of the increase was driven by advanced payments to fund tool purchases that we anticipate will be made over the course of 2025. The accounting for tools for this customer program is different than some of our other programs and that we own the tools and the funding goes through the cash flow statement rather than being recorded as tools revenue on the P&L.

Cash flow generated by the P&L was slightly positive for the quarter and working capital changes net of the customer advance added approximately \$4 million to operating cash flow. The majority of capital expenditures of \$15 million were customer funded. We also paid down approximately \$7 million on our revolver during the quarter to finish Q1 with approximately \$60 million in total debt.

Before I talk about guidance, let me give you a little more color on the impact of tariffs and trade on SkyWater. The situation is very dynamic, potentially increasing macroeconomic risk and making longer-term financial projection difficult and subject to change. However, we believe that SkyWater is relatively well positioned. From a revenue perspective, our customers have made no downward revisions to their forecast in direct response to tariffs.

From a cost perspective, we are taking actions to mitigate any potential financial impacts, which for us would primarily come in the form of higher cost for materials sourced outside of the U.S. and higher cost for tools. As things stand right now, our tooling purchases are all considered 84, 86 items, which are exempt from tariffs. The larger concern we are focused on at the moment is any ancillary equipment purchases that are not exempt from tariffs. We do have some exposure on spend, but it is relatively small, about \$2 million a quarter, some of which can be mitigated by simply canceling that spend or sourcing from other countries. We also could have some unknown exposure due to potential price increases from suppliers who source materials from countries affected by tariffs. We believe we should have more clarity on overall financial impact at our next earnings call.

Turning to our outlook, which is all before any contribution from the pending acquisition of Fab 25. Based on the full year revenue expectations Tom discussed earlier, reflecting modest growth in both ATS and Wafer Services or approximately 5% growth from both businesses combined, we expect significant expansion of our gross margin profile in the second half of 2025. As you recall, our combined ATS and Wafer Services business generated nearly 26% gross profit margin in 2024. Our gross margin model demonstrates strong flow-through or incremental gross margin above the breakeven level of \$45 million in quarterly revenue, excluding tools.

In Q2, the mid-point of our ATS and Wafer Services revenue guidance is about \$12 million above breakeven. Given that our EPS breakeven level is about \$70 million, the implication is that we expect to drop at least 70% of incremental revenues directly to gross profit. Provided that ATS funding comes through as expected in the second half, our current forecast reflects gross margins on the core ATS and Wafer Services business expanding into the 30s in the second half in order to result in high 20s gross margin for the full year. Again, this is the expected range for the combined ATS and Wafer Services portion of our revenues.

We expect little to no gross profit on the \$30 million of tools revenue in 2025, most of which will be recorded in the second half. We expect close to a 300 basis point negative impact of tools revenue on our gross margin for the full year. Therefore, our expectation for reported non-GAAP gross margin in the full year is in the mid-20s or the 23% to 27% range. We expect the expansion of our gross margin profile as we move through 2025 will result in profitability in the second half and for the full year, positive non-GAAP EPS and strong adjusted EBITDA of at least 10% of total revenues.

For the full year, we expect a similar level of combined interest, tax and VIE as we reported in 2024, which altogether are in the range of \$13 million to \$14 million annually. Given the forecast for profitable results in the second half and the impact of deferred taxes, we currently estimate tax expense of approximately \$1.5 million in 2025 and slightly lower interest expense for the year in the \$8 million range.

Turning to Q2 guidance. Given the dynamics Tom discussed earlier, we are taking a conservative view to the quarter with an expected range of \$55 million to \$60 million in total revenue, consisting of \$5 million to \$6 million in Wafer Services revenue, just under \$1 million in tool revenue and a range of \$49 million to \$53 million in ATS revenues in advance of a rebound in Q3.

Given these assumptions, our gross margin guidance for Q2 is in the range of 16% to 19% with about a 30 basis point impact from Tools. We expect Q2 operating expenses of approximately \$15.7 million, plus or minus \$200,000, approximately \$2 million in interest expense, \$400,000 in tax and \$1 million in income from variable interest entities for an expected EPS loss for the quarter in the range of \$0.16 to \$0.22 per share. Based on our outlook for the full year, we expect a strong rebound in financial results for Q3 and continued sequential improvement in Q4. And with that, I'll turn the call over to Q&A. Operator, please open the line for questions.

Question and Answer

Operator

Our first question comes from Quinn Bolton from Needham & Company.

Nathaniel Quinn Bolton

Needham & Company, LLC, Research Division

I guess my first question is, obviously, last quarter, looking into Q2, you expected a recovery in ATS, and that didn't happen. Now we're sort of looking for that ATS recovery to begin strongly in the second half. I understand these are key programs, but there's a lot of volatility going on in Washington right now. How do you have confidence that these programs and the budget will get approved at higher funding levels that support that second half?

Thomas J. Sonderman

CEO & Director

Yes. Thanks for the question. Clearly, that's the issue that a lot of us are wrestling with as the dynamics unfold in D.C., the biggest thing that gives us confidence is the almost \$300 million of investment that has been made by the U.S. government over the last several years to create capability. We believe the programs that, that investment drives are very much aligned with the national security agenda kind of irrespective of the administration. But we are going through the dynamics of a change in administration.

The continuing resolution that was passed as we were in the middle of the quarter essentially held spending at '24 levels. So given that, we obviously had to adapt. But as the quarter has unfolded, we've had multiple dialogues with our end customers within the U.S. government as part of their exercise, which is ongoing to look at government efficiency, how they can drive out waste and the program reviews that we're undertaking, we feel very strong about not only the commitment coming from the customer, but our ability to execute with speed once the funding issues are resolved. So it's really the backdrop of a change in administration, but more importantly, the criticality of the programs we have and the long-standing investment and commitment we've seen over multiple years with all these initiatives.

Nathaniel Quinn Bolton

Needham & Company, LLC, Research Division

And I guess, Tom, maybe just a follow-up to that. I don't know off the top of my head how far or how long the current continuing resolution fund to the government. Is there a date by which we've got to either get another continuing resolution or to pass a budget that lands in Q2? Or could this -- could we continue to be funded by CRs well into the summer? Again, just trying to get some sense of what visibility you may have into that funding recovery in the second half? And then I've got a follow-up on a different topic.

Thomas J. Sonderman

CEO & Director

Yes. So clearly, we're looking by the end of Q2 to have very good transparency in terms of what we expect the second half will look like, and that will be reflected in our Q3 forecast. So much like, again, the rest of us, we're watching what's happening in D.C. The discussions driving towards an omnibus type of bill over the summer is what we're hearing, and that's what we're marching towards. But I would say by the end of Q2, we'll have good transparency.

Nathaniel Quinn Bolton

Needham & Company, LLC, Research Division

Got it. And then just you guys mentioned some of the work you're doing on the quantum computing space in advanced computing with D-Wave and Si-Quantum. I guess maybe 2 quick questions there. How big -- you mentioned it's 90% of your advanced computing. Roughly how big is advanced computing as a percentage of the business? And can you give us any sense on the type of work you're doing with Si-

Quantum? Are you manufacturing silicon photonics wafers for them? Are you doing signal and control devices? Just any comment because I think you've previously said what you're doing with D-Wave.

Thomas J. Sonderman

CEO & Director

Yes. So the advanced compute market is about 10% of the business today. And as we've alluded to, 90% of that is tied to the quantum computing space. With regard to Si-Quantum, think of Si-Quantum has a very complicated product that they're putting together. We're part of their value chain. And our focus is around, obviously, our expertise in superconducting technology and other films technology that they integrate. Photonics is another component that is unique within the Si-Quantum solution, and that's another area of expertise. But beyond that, we don't really want to provide any more detail.

Nathaniel Quinn Bolton

Needham & Company, LLC, Research Division

Got it. And looking forward to coming down to see Fab 25 in Austin over the summer.

Thomas J. Sonderman

CEO & Director

Yes. I apologize for the fact that it will be the middle of July, trying to keeping it on, but look forward to seeing you there.

Operator

Our next question comes from Robert Mertens from TD Securities.

Robert Bruce Mertens

TD Cowen, Research Division

This is Robert Mertens on the line for Krish Sankar. Just if I'm doing the math right here, it seems like ThermaView represented a mid-single-digit million revenue amount for the March quarter. Just how should we think about the ramp of that business maybe compared to some of the other programs in Wafer Services this year? And just if you have any sort of potential sizing of what that market could be over the next few years?

Thomas J. Sonderman

CEO & Director

Yes. So ThermaView is driving the ramp of our Wafer Services business. This was really been our plan all along, just given the traction that we have with our lead customers and their ability to take our products and put them into end-state systems, we feel like that will be the main driver of growth in Wafer Services this year. We do have other converts that we talked about last year. They're coming together at somewhat of a different pace. Again, some of those are tied to the medical device, rapid diagnostic space. And so their time line to ramp is a little bit different. And I think we have the most clarity around the ThermaView space.

As far as the size, ultimately, we see this, and this is in the deck that we provided, a \$9 billion market. Obviously, we're expecting to capture a percent of that as we grow our solution into the space. But overall, we feel like this is going to be a good growth driver for us. And it's also a market where we're entering into DoD, but we expect to continue to propagate that into the automotive space as well as the medical device space.

As far as the ratio of traditional or legacy last year was 90% legacy, 10% new. We are expecting this year to be 60% new, 40% legacy as we exit this year. And that was the run rate we had in the first quarter as well.

Operator

Our next question comes from Robert Aguanno from Piper Sandler.

Robert F. Aguanno

Piper Sandler & Co., Research Division

Just to expand on that, you guys mentioned new products driving half of Wafer Services. Can you maybe just double-click on some of maybe the other opportunities that you might have? And ultimately, how big do you think you can expand that business going forward here in the near future?

Thomas J. Sonderman

CEO & Director

Yes. So again, we have 2 lead customers that we're providing product for today. So this is Wafer Services product that are then being put into their systems that are going through additional qualifications. We have several other designs that these are design wins. Think of it as products that will immediately move into Wafer Services. This is really how we're driving with our platform as you leverage the work to create the platform and then every subsequent tape-out is relatively straightforward. Of course, the 2 lead customers are major primes that we've been working with for several years. We generated a lot of ATS revenue from those customers as we built the platform.

Those customers are obviously the lead customers that are bringing the product into volume ramp, and then we will subsequently put in other customers as they complete their design process. So I'm not really in a position to say how big do we think the market we can go after, but we feel like the traction we're getting already is significant. And the fact that we do have these 2 lead customers is certainly allowing us to have a robust process that we believe will be able to bring new designs in relatively efficiently.

Robert F. Aguanno

Piper Sandler & Co., Research Division

Fair enough. And just one more for me on the expectations around the packaging facility. You guys mentioned a little bit of revenues coming in this year, more of a second half story. Can you talk about any sort of KPIs or any other metrics that we could use for how much impact that's going to have this year? Or is it more of a '26 story?

Thomas J. Sonderman

CEO & Director

Yes. So I think this year, the impact is going to be around tools revenue. The majority of tools revenue in 2025 is coming into Florida. Again, this is coming in the second half. If you recall, we talked about the first half, we've had some infrastructure products tied to a Build Back Better grant we got in 2022 that are gating the tool move-ins. Those tool move-ins will begin in the second half, and then we'll start generating traditional, we'll call it, ATS revenue through the engineering efforts first as we basically hook up the equipment, get the tools qualified and then as we start executing the program, which will really be driven mainly in 2026. So mainly tool revenue in 2025, traditional ATS revenue in '26.

Operator

Our next question comes from Richard Shannon from Craig-Hallum.

Richard Cutts Shannon

Craig-Hallum Capital Group LLC, Research Division

Maybe let's just look broadly in the transition towards Wafer Services. Obviously, the last couple of questions have been about specific ones on ThermoView. But maybe give us a view here, Tom, how do we look at the number of conversions that go from ATS to Wafer Services this year? Maybe you can delineate that between A&D type of customers versus other markets.

Thomas J. Sonderman

CEO & Director

Yes. So again, last year, if you recall, we had, I believe, 4 announced transitions. One was into the auto industrial sector. The other 3 were into the bio-diagnostic and other medical device area -- areas. And

I think those, again, are relatively smaller companies that are, again, going through the necessary qualifications. Typically, once the technology gets qualified, you're not making process adjustments. What you're doing is producing product that initially is going into samples that our customers would be putting in front of their in-state OEMs trying to get them to buy into the new products and then ultimately ramp those up. So I think we're in that process right now. Certainly, in the bio space, this is relatively new to us. So we're learning how the sequencing of those kind of align with our ramp strategies.

In the ThermaView side, we have obviously a lot of experience working with the DoD. In the case of these products, they are going into systems that exist today. These are enhanced capabilities that our solution provides. So the testing and qualification sequencing is a little bit different there versus when they go into a new system, which we also expect to get designs -- design wins for. So overall, we can do what we can do, which is develop the process, get it qualified, get the samples in the hands of our customers. And then their ramp rate, of course, depends on their qualification cycles. As we get more converts, of course, this year, we expect to have converts happening as well. Each individual conversion will have less of an effect on our overall business because they'll all be operating at different kind of speeds. But collectively, they will become much more predictable.

This is really -- if you think about last year, that was the first year of the converts. This year, we're getting more converts. But every year, we should just expect to be converting new programs out of ATS into Wafer Services. And then the other thing that's going on as well is we're getting new design wins into ATS. So in addition to design wins on the ThermaView platform this year, for example, we expect to have other design wins that are coming into ATS to kind of backfill the programs that are moving into volume production.

Richard Cutts Shannon

Craig-Hallum Capital Group LLC, Research Division

My second question is another program we haven't heard about in a few quarters here, and that's the RadHard program, obviously, funded a number of years ago. I wonder if you could give us an update there on how that's going? And is there any impact from the budgetary still mate in Washington on that program?

Thomas J. Sonderman

CEO & Director

Yes. So I would say the technology continues to evolve, leading to qualification. I think the technology itself continues to gain in robustness as we drive towards meeting the customer requirements. Again, in the defense industry and especially in the environment we're in today, even the requirements are changing as you move through program initiation, which in this case started at the beginning of this decade. And now as we prepare to actually put them into the end-state systems, you're beginning to refine the requirements, and we want to make sure that our end-state capability matches the majority of the requirements coming from the customer base that we'll be serving. So we're expecting, as this year unfolds and going into next year, we're getting to the point where we get a qualified process. But to your point about government funding, this is certainly one of the programs along with really all programs that are being reassessed in terms of priority.

One thing I think is important to understand is that our model is a foundry model. And I think the DoD is going through a similar process that the commercial spaces went to and that they're embracing the movement to foundries and leveraging this type of approach, our technology foundry approach, having a common source that all the primes can access is really what we're enabling. And if you think about government efficiency, the goal of moving from primes running labs to foundries running fabs is really what SkyWater is intending to demonstrate. And I think we are a national asset, and we expect that investment not only for the programs that I alluded to earlier, but this specific program to continue to come to SkyWater because of the unique capabilities that literally the government has been investing in since we were created back in 2017.

Richard Cutts Shannon

Craig-Hallum Capital Group LLC, Research Division

We have no further questions. I would like to turn the call back over to Thomas Sonderman for closing remarks.

Thomas J. Sonderman

CEO & Director

Thank you, operator. At SkyWater, we are confident in our ability to execute our long-term growth and profitability goals, and we aim to strengthen your trust in our performance. We look forward to providing updates at our Capital Markets Day in Austin or our Q2 earnings call in early August. With that, I conclude today's call.

Richard Cutts Shannon

Craig-Hallum Capital Group LLC, Research Division

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

Copyright © 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2025 S&P Global Market Intelligence.