



Mobix Earnings Call - August 21, 2024

Operator: “Good afternoon. Thank you for standing by, and welcome to Mobix Labs Inc. Third Fiscal Quarter 2024 Financial Results Conference Call. Please be advised today's conference is being recorded and a replay will be available on Mobix’s Investor Relations website. I would now like to hand the conference over to Sayo Denloye, Investor Relations.”

[Investor Relations, Sayo Denloye]

Thank you. Good afternoon, everyone. I’m Sayo Denloye, Investor Relations for Mobix Labs, and I’d like to thank you for joining us today as we report Mobix’s third fiscal quarter 2024 financial results for the period ending June 30th. With me on the call today are Fabian Battaglia, Mobix’s Chief Executive Officer; and Keyvan Samini, President and Chief Financial Officer. This call is simultaneously being webcast on the Investor Relations section of our website at mobixlabs.com.

Before we get started, I would like to remind everyone of our safe harbor policy. Comments made during this conference call and webcast contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are subject to risks and uncertainties.

Any statement that refers to expectations, projections, or other characterizations of future events, including financial projections, future market conditions or future product enhancements or development, is a forward-looking statement. Mobix’s actual future results could differ materially from those expressed in such forward-looking statements for any reason, including those listed in our SEC filings.

Mobix assumes no obligation to update any such forward-looking statements except as required by law.



For greater detail about risks and uncertainties, please see our SEC filings, including our Form 10-Q for the quarter ended June 30, 2024 and the section entitled “Risk Factors” in the Form S-1 filed on August 12, 2024.

In addition, this call includes non-GAAP financial measures. Reconciliations of these non-GAAP financial measures with the most directly comparable GAAP measures are included in our third quarter earnings release posted on the Investor Relations section of our website.

With that, I will turn the call over to Fabian Battaglia. Fabian, please go ahead.

[CEO, Fabian Battaglia]

Thank you, Sayo. Today, I'll review the June quarter and share with you highlights of our successful acquisition strategy to build Mobix Labs into an increasingly diversified leading-edge tech pioneer. We are unleashing the performance of next-generation product lines like EMI Interconnect Solutions, Wireless Systems, Active Optical Cables and 5G IC Solutions that will leverage and enhance our 5G portfolio for future growth. Keyvan Samini, our president and CFO, will follow up with financial comments.

In the June quarter, I am pleased to announce sequential revenue growth of 80% to \$2.1 million. We were also happy to announce we received \$4 million in July as part of a private placement, and we look forward to additional financing to fuel our acquisition strategy and provide for our working capital needs.

Increasing demand and exciting requests for proposals prove that customers with high-reliability needs want to do business with Mobix Labs and our expanding offering. We have long-term relationships with our manufacturer's reps and distributors, and they are happy to offer additional products to their customers.

A key element of our strategy is expansion through synergistic product acquisitions in diverse industry sectors which will broaden our customer base and allow our customers to reduce their number of suppliers.



As part of our ongoing strategy to enhance our market position and deliver sustainable growth, I am pleased to announce that we have entered into an agreement to acquire J-Mark Connectors Inc. This acquisition strengthens our presence in the military, aerospace, and defense sectors.

By integrating J-Mark's proven expertise in EMI interconnect solutions, we will be expanding our customer base and product offerings to better meet the stringent requirements in aerospace, military, and medical markets. This acquisition will drive revenue growth, improve our gross margins, and set the stage for long-term value creation for our customers and stakeholders.

The integration of J-Mark's expertise in EMI interconnect solutions will significantly enhance Mobix Labs' product portfolio, enabling us to meet the most demanding filtering, grounding, and transient suppression requirements in aerospace, military, and medical sectors.

We look forward to capitalizing on the acquisition of J-Mark as we continue to execute our growth strategy.

Additionally, I am pleased to report the successful close and significant June quarter revenue contribution of RaGE Systems in May. Now, Mobix Labs and RaGE Systems together provide breakthrough joint design and manufacturing services for the development of RF technologies for a variety of customers in the fields of 5G mmWave communications, radar sensors, and imaging sensors.

One new example of product innovation from this acquisition is our new SMART Edge Device product line. In early August, we announced our participation at the 2024 Leidos Supplier Innovation and Technology Symposium. At the conference, we showcased this new product line, which is a software-manageable autonomous radio transceiver, and an innovative appliance deployed at the network edge. It is programmable for a variety of applications such as RF Spectrum Analysis, RF Broadcast Node, Micro O-RAN RU, 2/3/4G Transition Base Station, and many other custom applications.



SMART Edge is a good example of the next-generation products developed by the RaGE Wireless Systems team, and I'm proud to say we have retained all their staff. They are excited to join the Mobix Labs team as they continue their work on next-generation technology while leveraging our expanding customer and product footprint.

We are continuing to run fast as we consider other future transactions. Our robust, expanding M&A pipeline of potential targets is expected to continue driving diversification of our offerings and adding scale.

To this pipeline of opportunities, we are applying a disciplined approach as we focus on synergistic M&A opportunities in diverse industries to further expand our customer base. Our focus is on strategic tech additions, cash generation, and accretion within two quarters.

We are serving very large and rapidly growing markets. On our investor relations website, you can view a slide with our projected SAM and growth by market. In aggregate, the markets we are addressing are projected to have a 50% CAGR, growing to nearly \$4 billion by 2028.

I'd like to highlight four of our solution groups today: EMI Interconnect Solutions, Wireless Systems Solutions from RaGE Systems, Active Optical Cables and IC Solutions for our 5G portfolio.

Revenue for EMI Interconnect Solutions was a record in the June quarter. These filtering products from our previous EMI acquisition are widely used in any industry with a high cost of failure. Mission-critical customers know they can rely on Mobix Labs' connectors for predictable performance. Among our customers are Fortune 500 companies such as Honeywell, General Dynamics, GE Healthcare, Lockheed Martin, BAE Systems, Northrop Grumman, Raytheon, and Gulfstream.

A good testimonial to how customers rely on Mobix Labs is our recent announcement that we are now delivering products for the Navy's Standard Missile-6 program. Our products met the Navy's rigorous standards to withstand high shock, vibration, and extreme temperatures. We look forward to more orders from this important U.S. defense program. Also, we have other



large bids we are working on right now, including with a global defense, aerospace, and security company and another bid for an international aviation services company with a broad portfolio of aerospace and defense systems and components.

The EMI team has been running fast to innovate, and this includes our recently announced new filtered ARINC connectors, which are setting a new standard in price, performance, and customization. The new connectors are designed to deliver exceptional performance and reliability, featuring advanced EMI filtering options to ensure optimal signal integrity and minimal resonance.

We also introduced a new family of filtered D-sub connectors designed to eliminate unwanted electromagnetic interference in defense, aerospace, medical, and commercial applications. These connectors feature robust construction and superior EMI filtering capabilities, ensuring optimal performance and reliability in the most demanding environments.

These EMI Interconnect Solutions products and our exceptional performance and contributions to the supply chain were recognized in May when we were honored to receive the Gold Tier Supplier Award from our long-time partner, BAE Systems.

Also, as I mentioned earlier, we are very excited to have the new team from RaGE Systems on board this quarter as our Wireless Systems Solutions product group. These products are specialized for 5G communications, mmWave imaging and Software Defined Radios. In addition to our participation at the Leidos Supplier Symposium and the new SMART Edge Device radio transceiver, we signed a strategic partnership with TalkingHeads Wireless to develop and produce a new generation of cost-effective, energy-efficient 5G base stations. Their 5G radio solution uses AI technology to optimize tower energy consumption, while MobiX Labs' broad portfolio of products including ICs, and antennas delivers significant advantages in performance, efficiency, cost and size for 5G base stations. Our mission is to help develop solutions that significantly reduce the power consumption of base stations, cutting the energy costs of 5G towers in half.



We are in the early stages of growing the Wireless Systems Solutions business. Our combined systems-level knowledge and IC design capabilities give us a unique advantage in partnering with our customers. The team looks forward to telling you more in the coming quarters about our growing revenue, our expanding pipeline of opportunities, and exciting development & production wins with key customers in the Aerospace & Defense, Wireless, Industrial and Security marketplaces.

The RaGE Systems team is also now augmenting Mobix Labs' past work for our product group IC solutions for the 5G mmWave market. While it is early days for 5G, we are excited about the size of this emerging market opportunity and using our 5G developments for our Wireless Systems products & solutions for future growth.

Active Optical Cable Solutions is a more mature part of Mobix Labs. It provides connectivity for high-bandwidth and low-latency connections, such as Professional audio/video systems. HP Poly products are a good example of a customer we have been serving for several years.

These four innovative product lines that I've outlined for you provide compelling solutions. And, our leadership team's solid track record is another key element of our scalable strategy to become the supplier of choice for next-generation connectivity solutions.

It is an exciting time to be at Mobix Labs given our quickly expanding pipeline of opportunities, especially in high-reliability markets such as EMI Interconnect Solutions and Wireless Systems Solutions. Requests for proposals are at an all-time high.

In summary, our goal is to unleash the performance of next-generation EMI Interconnect Solutions, wireless systems solutions and leading-edge 5G mmWave. I'm happy to say customer demand for our solutions is strong and our customer pipeline is growing. As an experienced team, we knew when we founded Mobix Labs that it wouldn't be easy, but I can tell you we have demand and an incredible team of people ready to execute and it is a very exciting chapter of growth for this industry and for Mobix Labs.



Keyvan will now tell you more about the financials and how we are working hard to garner the working capital needed to fund those opportunities. Keyvan?

[CFO, Keyvan Samini]

Thanks, Fabian. In my comments today, I will discuss the financial highlights of our third fiscal quarter ending June 30th and provide our outlook for the fourth fiscal quarter. Unless otherwise stated, the numbers I will discuss represent non-GAAP.

Before we dive into our financial results, I would like to highlight the exciting development referenced by Fabian. As we disclosed yesterday, Mobix Labs has entered into an agreement to acquire J-Mark, a strategic move that will significantly enhance our sales strategy and bolster our revenue growth, particularly in the high-demand military, aerospace, and defense sectors.

J-Mark's expertise will increase revenue and our gross margins, positioning us for continued success in the quarters ahead.

On the closing of the J-Mark transaction, Mobix Labs will have completed its public listing on Nasdaq, and closed three accretive acquisitions, all in the span of nine months, proving the team's ability to increase revenue and margin by executing on its mission to grow through strategic acquisitions.

Moving on to our financial results, during the third quarter of 2024, we achieved revenues of \$2.1 million, which exceeded the midpoint of our guidance range. This represents a strong sequential increase of 80% compared to the prior quarter.



Adjusted Gross Margin was up 660 basis points sequentially to 40.3% in large part due to a favorable product mix and pricing, as well as operational efficiencies.

Total adjusted loss from operations for the third quarter was \$4.1 million, mirroring the prior two quarters.

Looking at our balance sheet, we ended the quarter with \$205 thousand in cash compared to \$3.0 million at the end of our prior quarter.

In late July, we received an investment of \$4 million dollars. The terms of this new financing included the issuance of warrants, which could deliver up to an additional \$8 million in cash to Mobix Labs over the next five years. We are pursuing additional financing to fuel our acquisition strategy and to provide working capital to fulfill our strong customer demand.

For the fourth fiscal quarter of 2024, we are reaffirming our prior guidance and forecast consolidated revenues between \$2.6 million and \$3.2 million dollars.

In the long term, we are committed to achieving a 60% adjusted gross margin and a 30% adjusted operating margin. In addition to expanding gross margin, the business will scale, and we plan to ramp our R&D and SG&A expenses more slowly than the build in revenue.

In summary, I am pleased with the June quarter results, and our successful closing of the RaGE Systems acquisition which is making an immediate contribution to building Mobix Labs and increasing gross profit. Our robust pipeline of M&A opportunities and quickly increasing customer demand are excellent proof points we are on the path to our scalable growth plan.



As the operator prepares us for Q&A I would also like to mention that we look forward to seeing some of you in September at the upcoming H.C. Wainwright conference in New York.

Operator, we are now ready to take questions.