

## **Operator**

Welcome to the fourth quarter and full year 2025 Sequans Earnings Conference Call. My name is Shannon, and I will be your operator for today's call. (Operator Instructions)

Please note that this conference is being recorded. I will now turn the call over to David Hanover, Investor Relations. David, you may begin.

## **David Hanover, IR**

Thank you, operator.

And thank you to everyone participating in today's call. Joining me on the call from Sequans Communications are Georges Karam, CEO and Chairman, and Deborah Choate, CFO. Before turning the call over to Georges, I would like to remind our participants of the following important information on behalf of Sequans.

First, Sequans issued an earnings press release this morning and you'll find a copy of the release on the company's website at [www.sequans.com](http://www.sequans.com) under the Newsroom section.

Second, this conference call contains projections and other forward-looking statements regarding future events or our future financial performance and potential financing sources.

All statements other than present and historical facts and conditions contained in this release, including any statements regarding our business strategy, cost optimization plans, strategic options, the ability to enter into new strategic agreements, expectations for sales, our ability to convert our pipeline to revenue and our objectives for future operations are forward-looking statements within the meaning of the private securities Litigation Reform Act of 1995, Section 27A, of the Securities Act of 1933 as amended, and Section 21E of the Securities Exchange Act of 1934 as amended.

These statements are only predictions and reflect our current beliefs and expectations with respect to future events and are based on assumptions and subject to risk and uncertainties and subject to change at any time. We operate in a very competitive and rapidly changing environment. New risks emerge from time to time. Given these risks and uncertainties, you should not rely on or place undue reliance on these forward-looking statements.

Actual events or results may differ materially from those contained in the projections or forward-looking statements. More information on factors that could affect our business and financial results are included in our public filings made with the Securities and Exchange Commission.

And now I'd like to hand the call over to Georges Karam. Please go ahead, Georges.

## **Georges Karam, CEO and Chairman**

Thank you, David and good morning everyone.

I'd like to start with a brief update on our capital allocation framework and how we are balancing execution of our IoT semiconductor business with the management of our digital asset treasury, all in support of long-term shareholder value creation.

First and foremost, we remain focused on executing our IoT strategy and advancing our 5G product roadmap in a disciplined manner. Our objective is to unlock the full strategic value of the IoT business for our shareholders, and that remains our top operational priority.

At the same time, we continue to manage our Bitcoin digital asset treasury thoughtfully, with the goal of extracting the full value underlying our Bitcoin holdings and our treasury structure. Since launching our Bitcoin strategy, we have been deliberate in how we assess market conditions and the tools available to us, always with a focus on actions we believe can create per-share value in an accretive way.

In the current environment, where many digital asset treasury peers are trading below an MNAV of one, we believe the most value-accretive lever available to us has been repurchasing ADS when our share price implies a significant discount to our net cash and net digital asset value. During the fourth quarter, we repurchased approximately 9.7 percent of the Company's outstanding ADSs. In addition, our Board has approved a new ADS repurchase program authorizing the buyback of up to an additional 10 percent of the outstanding ADSs.

Overall, we are taking a balanced and disciplined approach to capital management. This includes right-sizing our operating expenses, continuing to invest in our most important R&D program, which is our 5G eRedCap chip, and allocating capital to the treasury only when it is clearly accretive, while maintaining flexibility to evaluate our options as market conditions evolve.

To provide some context around our balance sheet, with Bitcoin holdings end of Q4 and Bitcoin currently at approximately \$70,000, our Bitcoin NAV is about \$150 million. After adding our end-of-Q4 cash balance and netting out convertible debt, our net cash-equivalent position exceeds \$68 million. Importantly, beyond our Bitcoin and cash assets,

the company's valuation should also reflect the significant value represented by our IoT revenue pipeline and our 5G and RF transceiver IP portfolio.

We intend to remain patient and opportunistic, staying disciplined and focused on actions that we believe can drive long-term per-share value.

Turning now to the operational side of the business.

Our IoT semiconductor business continues to build momentum. In the fourth quarter, it generated \$7.0 million in revenue, which was in line with our prior expectations. Revenue in the quarter was predominantly product-based, with more than 94 percent coming from product sales and roughly 6 percent from services, reflecting strong incremental growth in product shipments.

For the full year 2025, total revenue was approximately \$27.2 million. This figure includes a meaningful amount of non-recurring Qualcomm-related revenue, resulting from the deal we closed with them in 2024. On an adjusted basis, the underlying business was closer to \$20 million, and our fourth-quarter run rate clearly demonstrates the ramp we have been driving throughout the year.

Looking ahead to 2026, our internal plan currently targets approximately \$40 million to \$45 million of total global revenue, supported by improving visibility and a significant order backlog.

Our outlook is further supported by the strength of our design win pipeline and the increasing percentage of projects now in production. We are exiting 2025 with a revenue funnel exceeding \$550 million in potential three-year product revenue, including over \$300 million from design win projects. Of those design wins, 44 percent have already reached production and are generating revenue, up from 38 percent end of Q3. Assuming no changes to customer forecasts, this represents approximately \$132 million of potential three-year revenue from production-stage projects alone.

During the fourth quarter, we added nine new customer projects to our design win pipeline, and three existing projects transitioned into production. We expect this momentum to continue through 2026, with a target of having over 50 percent of our current design win projects in production by the end of June.

Our product pipeline continues to be driven primarily by our 4G Cat-M and Cat-1bis technologies, as well as our RF transceiver product, which supports a wide range of

software-defined radio applications. We are also seeing early engagements around 5G eRedCap, which we view as the successor to 4G in IoT deployments. Smart metering, telematics, and asset tracking remain our strongest verticals, followed by security, eHealth and medical, and other industrial applications.

From a product family perspective, Cat-M remains a meaningful growth driver in 2026, led by asset tracking and smart metering deployments, including expanded programs now entering production with customers such as Honeywell and Itron. Cat-1bis is positioned for a breakout year in 2026, supported by multiple customer ramps in telematics and security.

In RF transceivers, we have committed backlog in place, with additional demand expected in the second half of the year. We also expect to begin seeing meaningful revenue from our 5G licensee partner in China.

Demand for 5G eRedCap continues to strengthen. Mobile network operators in the U.S. are accelerating the transition from 4G to 5G to refarm spectrum, and IoT applications remain the final bottleneck in completing that transition. This is why having a 5G eRedCap solution as early as possible is critical. We continue to make strong progress on this program and expect to receive our first test chips this quarter, with customer sampling beginning in mid-2027.

Our IP licensing and services business is now fully integrated into our go-to-market strategy and represents attractive, high-margin upside in 2026. We are currently engaged in discussions with multiple potential partners, with individual opportunities ranging from approximately \$2 million to \$10 million or more, depending on scope. Beyond revenue, these opportunities expand our reach into new markets and regions.

On the supply chain side, we continue to operate in a dynamic environment. While not indicative of demand, these factors can influence shipment timing and costs quarter to quarter. We are addressing substrate constraints by adding suppliers to reduce single-source exposure and improve resiliency. We are also seeing memory pricing and capacity pressures, which affect both our products and our customers' devices.

We are working to pass through these cost increases where appropriate while maintaining strong customer relationships. Also, we are coordinating closely with customers on ordering and delivery schedules.

At this stage, we expect little to no impact on our business in the first half of 2026 and limited impact in the second half.

Looking ahead, we are focused on reducing cash burn over the course of the year, with the objective of reaching a break-even run rate by Q4. We are taking a disciplined approach to operating expenses, right-sizing where appropriate while protecting the innovation that underpins our differentiated position. Working capital dynamics may create short-term cash flow variability, but these effects are tied directly to long-term growth.

Overall, the fourth quarter underscores our progress in strengthening the core IoT business, improving financial discipline, and maintaining flexibility in our capital strategy as we position the company for sustained growth in 2026 and beyond.

For Q1 2026, we currently expect revenue to be around \$6.5 million, reflecting normal seasonality, with the risk that approximately \$1 million of revenue could shift into Q2 due to manufacturing and shipment timing planned for the end of Q1. Based on our backlog and design win pipeline, we expect revenue to ramp throughout the remainder of the year and continue to believe we can approach cash flow break-even in Q4.

We continue to evaluate strategic alternatives that could accelerate profitability and unlock additional value across both the IoT business and our treasury strategy. The Board is actively reviewing options, and we remain committed to unlocking shareholder value without rushing decisions, particularly at a time when the company is in its strongest position to date.

I will now turn the call over to Deborah Choate to review our fourth quarter and full-year 2025 financial results in greater detail.

**Deborah Choate, Chief Financial Officer:**

Thank you, Georges.

I'll begin by reviewing our fourth-quarter financial results and then discuss our Bitcoin holdings.

During the fourth quarter, we experienced several significant events that impacted our financial statements. These included a substantial increase in product revenues, a reduction in operating expenses, the early redemption of half of the convertible debt issued in July 2025, the launch of our ADS buyback program, and the sale of Bitcoin to finance these two non-operating initiatives.

In Q4 2025, revenues increased 72.6 percent sequentially, driven primarily by growth in product revenue. Gross margin for the quarter was 37.7 percent and was impacted by provisions for slow-moving inventory. Excluding these provisions, gross margin would have been approximately 43 percent, compared to 42.4 percent in the prior quarter.

R&D and SG&A expenses declined to a combined total of \$11.5 million in Q4, down from \$13.6 million in the third quarter. We maintain our goal of continuing to reduce operating expenses over the course of 2026 in support of our break-even goals for operating results and cash burn.

We recorded a non-cash impairment charge of \$56.9 million related to the mark-to-market value of our Bitcoin holdings in the fourth quarter, compared to an \$8.2 million charge in Q3. We also recorded an \$8.4 million net realized loss on the sale of Bitcoin, which funded the redemption of half of the convertible debt and the repurchase of 9.7 percent of our ADS.

The July issuance of convertible debt and warrants resulted in the recognition of an embedded derivative, which is remeasured each reporting period. Changes in its value affect our P&L but are entirely non-cash. Similarly, while the convertible debt carries a zero percent coupon in the first year, IFRS accounting requires us to recognize significant non-cash interest expense.

At the end of October, we redeemed half of the outstanding convertible debt ahead of its normal July 2028 maturity. This resulted in a \$29.1 million loss on early redemption of debt that was primarily non-cash.

Reflecting these factors, we reported an IFRS net loss of \$87.1 million in Q4, compared with an IFRS net profit of \$0.9 million in the prior quarter. On a non-IFRS basis, excluding significant non-cash items, we reported a non-IFRS net loss of \$18.5 million, or \$1.19 per ADS, compared with a non-IFRS net loss of \$11.3 million, or \$0.81 per ADS, in Q3. The realized loss on sale of Bitcoin of \$8.4 million is included in the non-IFRS net loss so we would have been just over a \$10 million non-IFRS net loss without this element.

Normalized operating cash burn in Q4, including primary working capital movements in inventory and trade payables and receivables, was approximately \$7.7 million. After completing Bitcoin purchases totaling \$3.4 million early in the quarter, we later sold Bitcoin to fund \$101 million of debt redemption and a \$9.4 million ADS buyback.

At year-end 2025, we held 2,139 Bitcoin with a market value of \$187.1 million. Of this, 1,617 Bitcoin, valued at \$141.5 million, were pledged as collateral for the remaining \$94.5 million of convertible debt due in July 2028. The remaining 522 Bitcoin, valued at \$45.6 million, are unencumbered.

**Georges:**

As we close, I want to reiterate that our primary focus remains on executing the IoT business. The fourth quarter reflected continued momentum, with revenue predominantly driven by product shipments. We are encouraged by the depth and quality of our design-win pipeline, with more than 44 percent of projects now in mass production and additional ramps expected throughout the year. With solid demand across Cat-M, Cat-1bis, RF transceivers, and early engagement around 5G eRedCap, we believe the IoT business is positioned to continue scaling, while our cost discipline supports a clear path toward cash-flow break-even by the end of 2026.

At the same time, we have taken a disciplined and value-driven approach to capital allocation. During the fourth quarter, we took actions to repurchase shares where we believed our valuation did not reflect underlying asset value, and we continue to have Board authorization in place to pursue additional repurchases as appropriate. These actions reflect our focus on unlocking value on a per-share basis, while maintaining flexibility to evaluate additional capital allocation options as market conditions evolve.

With that, let's begin the Q&A session.