Operator

Welcome to the third quarter 2026 Sequans Earnings Conference Call. My name is _____, 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 Norman Brodt, 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 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.

Before discussing our core business, I will start with a brief **update on our balance sheet**, as we have now fully concluded our Bitcoin treasury strategy.

As announced on September 24th, we sold the remaining 314 Bitcoin held on our balance sheet as of June 30th, completing the treasury exit that began with the full redemption of our convertible debt in May. These final sales were executed at an average price of approximately $78,500 per Bitcoin, for total proceeds of $24.6 million.

As a result, Sequans no longer holds any digital assets, and we have no outstanding debt other than a small amount tied to government-financed R&D projects. We ended the third quarter with $39.7 million in cash, cash equivalents and short-term deposits, compared to $21 million in cash and 314 Bitcoin at the end of the second quarter.

With this exit complete, the Bitcoin treasury chapter is closed, and the full strategic and financial attention of the Company is now on our semiconductor business. Our priority going forward is squarely on executing our semiconductor strategy: scaling our IoT product business, developing our new defense and drone business, and advancing our 5G eRedCap roadmap to create long-term shareholder value. We enter the fourth quarter with a strong balance sheet and the financial flexibility to support our operations and invest in growth.

Now, turning to **our semiconductor business**, our 4G IoT products showed strong momentum in the third quarter. Third quarter revenue came in at approximately $9.1 million, in line with our guidance range. That is up 22% from $7.5 million in the second quarter and up 183% from $3.2 million in the third quarter of 2025. The vast majority of our Q3 revenue was generated by product sales, which increased by more than 4x year-over-year.

Through the first nine months of 2026, revenue totaled $22.6 million. That already exceeds our full-year 2025 revenue of $18.3 million, excluding the $8 million of non-recurring Qualcomm-related deal revenue we recorded in the first half of 2025.

We are seeing strong order momentum across our customer base, driven by design wins that have reached mass production, several of which we expect to keep scaling through 2027. This is reflected in a strong and growing backlog extending into the second half of 2027, which gives us solid visibility and confidence in our product growth trajectory. As in the previous two quarters, our Q3 book-to-bill ratio was well above 1.

Our product design-win pipeline, measured by potential three-year product revenue, keeps expanding. We update this figure once a year, so for now we are maintaining the $300 million reported at the end of 2025. However, in the third quarter alone we added 9 design-win projects and 8 advanced engagements. As reported at the end of the second quarter, $165 million of this pipeline is in mass production and generating revenue. Two additional projects moved to mass production in Q3, and we expect several more to follow in Q4, bringing the mass-production portion of the pipeline to more than $180 million by year-end.

Smart metering, telematics, and asset tracking remain our strongest verticals, and the volume and visibility we are building in these markets reflect the strength of our product positioning and customer relationships.

Looking at **our product families**, our Monarch Cat-M products remain a core growth driver, accounting for more than 80% of Q3 product revenue, with asset tracking and smart metering applications leading the way. We expect this business to keep growing in 2027, as multiple design wins now in production are tracking ahead of plan and we are winning new customers and projects every quarter.

Revenue from our Calliope Cat-1bis products is driven by our design wins in telematics and security, where several projects have now reached mass production. We expect this momentum to carry into Q4 and beyond, with significant revenue growth materializing in 2027.

Overall, our cellular IoT pipeline for both Cat-M and Cat-1bis keeps growing, with many new opportunities every quarter. Beyond the design-win pipeline, we are currently working on more than a dozen new projects that we hope to win in the near future. In addition, we have begun substantive discussions on several 5G eRedCap projects with customers preparing for the network transition from 4G to 5G, a market we are targeting with a highly competitive chip now in development.

As we previously said, our 5G eRedCap test chip is in-house. We expect to complete end-to-end lab testing late this year, with a plan to engage customers in the second half of 2027 and generate revenue in 2028. As the IoT market transitions from 4G to 5G, eRedCap remains a key pillar of our long-term strategy. It positions Sequans to capture a significant product design-win opportunity and expand our market share in cellular IoT, while enhancing our IP leadership and supporting future licensing agreements.

Beyond IoT, our Iris RF transceiver is attracting strong interest across defense, drone, and space applications. Since we began shipping our development kit platform in Q2, we have generated more than 20 leads in these markets, including many Tier 1 customers. The first drone customer we announced last quarter is now ready for production, and we expect shipments to begin in Q4. While most of the RF pipeline is still in the engagement phase, it already represents more than $30 million in three-year revenue potential, with very high margins. We are fully committed to scaling this defense and drone business by building out our go-to-market strategy and strategic partnerships, several of which are currently under discussion.

Turning to **services and licensing**, this business remains an important source of high-margin revenue, although the timing of individual engagements can vary from quarter to quarter. Our goal is to leverage our RF and 5G IP portfolio to address new markets and regions beyond our own addressable markets. We have already concluded several licensing deals, some of which are now generating royalty revenue that we expect to grow in 2027.

We also have several active licensing and strategic engagements under discussion with global customers and partners across a range of end markets and geographies. Individually, these opportunities range from several hundred thousand dollars to well over $10 million, and their

total revenue potential exceeds $75 million. We are making progress on most of them and aim to close some in Q4. These opportunities provide potential upside to our revenue, could advance our path to break-even, and expand our strategic reach into new markets and applications.

Now, a few words on **supply chain** and product costs. We continue to navigate a challenging supply and cost environment. While memory remains the primary constraint, we are increasingly seeing pressure across the broader semiconductor supply chain. To mitigate these challenges, we have implemented multiple sourcing options for key components and manufacturing materials, including substrates, flash memory, and assembly and packaging, which puts us in a stronger position heading into 2027.

However, we still need to address silicon supply, as TSMC will be operating under capacity allocation for all mature nodes in 2027. With significant growth expected next year, our main challenge is securing enough wafers to meet all customer demand. We have already secured the majority of our wafer needs and are working very closely with TSMC to secure the remaining volume required to support our full 2027 growth potential.

At the same time, we are mitigating cost pressures by passing through increases to customers where appropriate, limiting the impact on gross margin. This is particularly important for memory components, where pricing remains volatile and changes month by month.

We managed all of these challenges well in 2026, and we are confident in our ability to manage these challenges again in the coming year.

Third quarter **cash burn** came in line with our plan. We remain focused on disciplined cost management and on reducing cash burn over time as revenue grows, with the objective of reaching break-even as quickly as possible.

Overall, our third quarter reflected real progress in strengthening our core IoT business, completing the simplification of our capital structure, and positioning the Company for sustained growth.

For the **fourth quarter**, we expect revenue in the range of $9.5 million to $11 million. This guidance assumes a limited contribution from licensing and services. Should we close a major licensing deal during the quarter, revenue could exceed this range.

We are clearly operating from a position of strength. We have a simplified balance sheet with approximately $40 million in cash and short-term deposits, no debt other than government-financed R&D funding, and significant financial flexibility. We have an IoT business with strong underlying momentum, supported by a growing backlog and a maturing design-win pipeline that is increasingly converting into production revenue. We have an exciting new market opportunity in defense, drone, and space, which adds scale and diversification to our business with significant potential. And we have a differentiated, strategic IP portfolio in 5G and RF, which we believe remains one of the most important long-term value drivers for Sequans.

We remain focused on scaling our product revenue across both our IoT and defense and drone markets, advancing our 5G eRedCap roadmap, and executing against the key drivers we believe will unlock the full value of Sequans over time.

With that, I will now turn the call over to Norman to review our third quarter financial results in greater detail.

Norman Brodt, Chief Financial Officer:

Thank you, Georges, and good morning, everyone. I will now turn to the third quarter financial results.

Total revenue for the third quarter was $9.1 million, an increase of 21.9% compared to $7.5 million in the second quarter of 2026, and up 183% from $3.2 million in the third quarter of 2025. Revenue in the quarter was largely product-related, with product sales more than 4 times higher year-over-year, reflecting the continued growth of our core IoT business.

For the first nine months of 2026, revenue was $22.6 million, compared to $19.4 million in the same period of 2025. When you exclude the $8.0 million of non-recurring Qualcomm-related license and services revenue from the prior-year period, revenue for the first nine months nearly doubled year-over-year.

Gross margin was 33.0%, compared to 32.9% in the second quarter and 25.3% in the third quarter of 2025. Operating expenses, consisting of R&D and SG&A expenses, were approximately $10.3 million, down from $11.9 million in the second quarter and $13.7 million in the third quarter of 2025. This is a reduction of about 14% sequentially and 25% year-over-year. The savings from our fixed operating cost base reflect the cost reduction initiatives we discussed last quarter. We expect operating expenses in the second half of 2026 to be lower than in the first half, while we continue to invest in our 5G eRedCap roadmap.

During the quarter, we completed the sale of our remaining 314 Bitcoin and recorded a realized net gain of $6.2 million, compared to a realized net gain of $5.3 million in the second quarter. There was no impairment on digital assets in the third quarter, compared to $3.0 million in the second quarter. With no Bitcoin left on our balance sheet, our financial results will no longer be affected by Bitcoin price movements, whether through impairments or through realized gains and losses.

Operating loss was $1.0 million, compared to $7.2 million in the second quarter of 2026 and $24.4 million in the third quarter of 2025. The $1.0 million operating loss includes the $6.2 million gain from the Bitcoin sale and also reflects the higher revenue and reduced operating expenses.

Net loss for the quarter was $1.5 million, or $0.10 per diluted ADS, compared to $9.8 million, or $0.65 per diluted ADS, in the second quarter, and $16.6 million, or $1.19 per diluted ADS, in the third quarter of 2025. Net interest expense was $0.4 million, down from $2.4 million in the second quarter, which reflected the full redemption of our convertible debt in that quarter.

On a non-IFRS basis, excluding non-cash impairments, stock-based compensation, and the non-cash items associated with the convertible debt and its embedded derivative, non-IFRS net loss was $0.6 million, or $0.04 per diluted ADS. This compares to a non-IFRS net loss of $4.0 million, or $0.27 per diluted ADS, in the second quarter, and $12.3 million, or $0.88 per diluted ADS, in the third quarter of 2025.

Turning to the balance sheet, we significantly strengthened our financial position this quarter. Cash, cash equivalents and short-term deposits on September 30 totaled $39.7 million,

consisting of $6.2 million in cash and cash equivalents and $33.5 million in short-term deposits. This is up $18.7 million from $21.0 million on June 30, reflecting $24.6 million of proceeds from the sale of our remaining Bitcoin, partly offset by the quarterly cash burn. In addition, in October we received a $2.5 million R&D grant supporting our 5G eRedCap development, which is not included in our September 30 cash position. The cash burn in the third quarter was approximately $5.9 million, in line with our plan

As of September 30, we held no Bitcoin, compared to 314 Bitcoin on June 30 and 2,139 Bitcoin at the end of 2025. With our convertible debt fully redeemed and our Bitcoin treasury exit complete, Sequans is now almost debt-free: our only remaining financing is government research funding. It is carried at $5.3 million on our IFRS balance sheet, while the amount we actually expect to reimburse is approximately $3 million, over the next 5 years.

Coming back to Georges' comments on licensing, we have several discussions that are well advanced, and we believe a number of these have the potential to contribute meaningfully to revenue. The timing of licensing revenue recognition can be difficult to predict, and that variability is reflected in our Q4 guidance.

Before I hand the call back to Georges, I want to summarize the key points of our third quarter: we are reducing our operating costs, we are working on product cost structure to improve gross margin, we no longer hold any Bitcoin, we have a strong balance sheet, almost debt-free, and an overall cash position of approximately $40 million. With this foundation, we believe that Sequans is well positioned to support its operating and strategic priorities going forward.

With that, I'll turn the call back to Georges.

Georges Karam, CEO and Chairman

Thank you, Norman. As we close, **our priorities** are clear. We are focused on scaling our IoT semiconductor business, expanding into software-defined radio applications across drones, defense and space, and advancing our 5G eRedCap roadmap.

The third quarter showed solid momentum across the business. Revenue grew 22% sequentially and 183% year-over-year, product revenue more than quadrupled, and our book-to-bill ratio was again well above 1, supported by a backlog that now extends into the second half of 2027. More design wins are moving into mass production, and we expect the mass-production portion of our pipeline to exceed $180 million by year-end. Beyond IoT, our Iris RF transceiver is building traction in the defense and drone industries, and our licensing pipeline gives us additional upside on top of our product revenue.

We have also completed an important transformation of our balance sheet. With our convertible debt fully redeemed and our Bitcoin treasury exit complete, we have approximately $40 million in cash and short-term deposits and a simple capital structure, giving us the flexibility to support operations and invest in growth as we move toward a break-even run-rate.

Overall, we believe Sequans is well positioned, with a clean balance sheet, improving visibility into product revenue, a differentiated technology portfolio across 4G, 5G and RF, and multiple avenues for growth. We remain focused on execution and on creating long-term value for our shareholders.

With that, operator, we are ready to open the call for questions.