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PRESENTATION

Operator

Thank you for standing by. welcome to the Navitas Semiconductor Q2 '25 earnings call.

(Operator Instructions)

Now, I would like to turn the call over to Lori Barker, Investor relations. Lori, please go ahead.

Lori Barker - Navitas Semiconductor Corp - Investor Relations

Good afternoon, everyone. I'm Lori Barker, Investor Relations for Navitas. Thank you for joining Navitas Semiconductor's second-quarter 2025 results conference call. I'm joined today by Gene Sheridan, our President, and CEO, and Co-Founder; and Todd Glickman, CFO.

A replay of this webcast will be available on our website approximately one hour following this conference call; and available for 30 days. Additional information related to our business is also posted in the Investor Relations section of our website.

Our earnings release includes non-GAAP financial measures. Reconciliation of this non-GAAP financial measures with the most directly comparable GAAP measures are included in our second-quarter earnings release and also posted on our website in the Investor Relations section. Non-GAAP expenses and operating margin exclude stock-based compensation, amortization of intangible assets, and other non-recurring items.

In this conference call, we will make forward-looking statements about future events or about future financial performance of Navitas. You can identify these statements by words like we expect, we believe, or similar terms. We wish to caution you that such forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ materially from expectations expressed in our forward-looking statements.

Important factors that can affect Navitas' business, including factors that could cause actual results to differ from our forward-looking statements, are described in our earnings release. Please also refer to the Risk Factors section in our most recent 10-K and 10-Q. Our estimates or other

forward-looking statements may change. Navitas assumes no obligation to update forward-looking statements to reflect actual results, changed assumptions, or other events that may occur, except as required by law.

Now, over to Gene Sheridan, CEO.

Eugene Sheridan - Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer

Thanks, Lori. Thanks to all of you for joining our Q2 2025 earnings call.

I'm pleased to announce Q2 revenues of \$14.5 million, which are in line with our guidance despite a number of headwinds that continue to challenge near-term results. Our industry is in a classic semiconductor downturn, with a slowdown in projections for solar, industrial, and EV sectors; the continued impact of tariff conflicts; and now, the removal of tax credits for the solar and EV industry.

Despite these short-term industry headwinds, Q2 was a very strategic quarter for our company. We've decided to more aggressively transition and invest in a leadership position for AI data centers. AI data centers represents an extraordinary opportunity. One that Navitas is uniquely positioned to capitalize on.

In Q2, we announced that Nvidia has selected Navitas to support their vision for next-generation 800-volt data centers. We also raised nearly \$100 million of new capital in a quarter, providing additional cash flow to support our plans for growth, including investments needed to execute on development milestones over the coming quarters to support a significant (inaudible) expected in late 206.

Furthermore, in Q2, we announced our new GaN foundry partner, Powerchip, which is enabling our next -generation, eight-inch, low-cost manufacturing platform to support our cost and capacity goals for this expanded AI data center opportunity. Our existing high-voltage GaN supplier is TSMC, which is utilizing six-inch wafers. Over the next two-plus years, we expect our high-voltage customers to transition to Powerchip's eight-inch factory, which can produce nearly 80% more chips per wafer compared to six-inch for little incremental cost. We expect this will yield more attractive price points for our customers and higher gross margins from Navitas. We are already planning to ramp our medium-voltage 80- to 200-volt GaN from Powerchip's eight-inch line.

Last, we made the decision to sharpen our focus on the high-end performance applications of the mobile, consumer, and appliance sectors. Subsequently, going forward, we will reduce our focus, investment, and revenue expectations around the more mainstream price-sensitive applications in these sectors. We expect this transition will allow Navitas to maintain its spending discipline with operating expenses at or below current levels, while shifting significant customer acquisition and R&D investments to next-generation AI data centers in the related and critically needed energy infrastructure markets.

With that in mind, I'd like to share much more detail around the opportunities that we are targeting with this increased focus. AI is about to transform everything in our lives and on our planet. The impact will be felt in all sectors. But it starts with the cloud.

The world's most powerful AI processors are rapidly being developed and deployed in the cloud. With this massive processing capability, we are also seeing an explosion in power requirements that has never been seen before. While we now have AI processors that are rapidly approaching the intelligence of a human brain, we should also consider that the energy consumption of the human brain is believed to be less than 20 watts, while AI processors may require over 1 billion watts to generate a similar level of intelligence.

So this presents a very large scale power problem for our industry. In particular, total AI processor power consumption is projected to go from 7 gigawatts in 2023 to over 70 gigawatts by 2030. That 10x increase is creating a number of power challenges for our industry but will also generate significant commercial opportunities for the suppliers that deliver leading solutions to these major power problems.

In power electronics, when any system requires a significant increase in power capability, one of the most effective strategies is to increase the operating or system bus voltage. Since power distribution losses are inversely proportional to the square of the operating voltage, a 4x increase in voltage translates into a 16x reduction in power loss and a very dramatic improvement in energy efficiency.

Before AI, traditional data centers operated with the 12-volt [bus] and achieved overall energy efficiencies in the 70% range. In the last two years, with the deployment of the first AI chips, the data center industry has quickly transitioned to a 48-volt bus architecture, reducing power distribution losses by up to 16x and targeting overall efficiencies in the 80% range.

These 48-volt data centers are also supporting a major upgrade from 10 to 20 kilowatts in a traditional server rack to 100- to 200-kilowatt rack in a 48-volt data center. While such a change is dramatic, it is far from adequate to handle the exponential growth in AI power requirements.

Thankfully, Nvidia has announced their intentions to enable 800-volt data centers in the future. With a 15x increase in operating voltage, overall data center efficiency should improve significantly while targeting rack power that can achieve 1 megawatt or more. This is an important step and vision for the data center industry but also poses significant challenges and opportunities for the power electronics industry and semiconductor suppliers such as Navitas.

Traditional 12-volt data centers have moderate power semiconductor content and little or no demand for the ultra-efficient gallium nitride and silicon carbide technology that Navitas is producing. The near-term move to 48 volts has increased that power semiconductor content to around \$10 million to \$20 million per gigawatt of power demand, which may represent over \$1 billion per year power semiconductor market opportunity, globally, over the next five years. But GaN and silicon carbide will be required only selectively in these lower voltage and lower power systems.

However, as we look at 800-volt systems, these supercharged data centers will require three different stages of power conversion, all of which we believe will need a combination of gallium nitride and silicon carbide technologies to meet their power, efficiency, and density requirements.

As a result, we expect power semiconductor content of AI data centers to expand to \$30 million to \$50 million per gigawatt of power delivered, with the majority demanding gallium nitride or silicon carbide. When combining this growing content with the 10x increase in AI power projected in the future, we believe this could translate into a \$2.6 billion dollar per year opportunity by 2030 for gallium nitride and silicon carbide.

Let me break down this opportunity further and explain Navitas' capability and plans. There are three power conversion applications or stages for the 800-volt data center opportunity.

The first stage starts with the power grid itself, which is not well prepared to handle this significant surge in energy demand. The existing grid was designed over 100 years ago and is antiquated, inefficient, and lacks the stability needed to electrify our planet. The existing grid is built on low-frequency transformers or LFTs, which have no semiconductor content and don't offer good flexibility to deal with the growing instability of the grid itself and the fast-charging power requirements of data centers and our planet.

The answer is in solid state transformers or SSTs. SSTs enable up to 75% reduction in size and weight and offer an inherent robust ability to efficiently deliver more power under a wide range of operating conditions. SSTs require the most efficient power semiconductors like silicon carbide; and require silicon carbide that withstands ultra-high voltages to interface directly with the grid, which operates at 10,000 volts or higher.

Our GeneSiC technology is a leader in ultra-high voltage or UHV silicon carbide technologies, with voltage ratings up to 6.5 kV. This positions Navitas to support this megatrend to upgrade the grid with robust, efficient, solid state transformers. In the process, we expect to participate in creating a brand new \$1 billion per year market opportunity for Navitas.

We have completed initial sample evaluations with positive customer results. We are now developing engineering samples initially at 2.3 and 3.3 kV in our new SiCPAK package optimized for these ultra-high voltages and designed for very high reliability. We expect to deliver these final samples to customers in Q4 this year.

Our target customers include major power system integrators such as Schneider, ENCON, Vertiv, among others. We expect first customers will create system designs during 2026, with many targeting 2027 for mass production ramp-up.

We currently see limited competition in this exciting new market. And we are aggressively investing in expanding our technology lead and forging strategic relationships with the early leaders that are creating these SSTs.

These SSTs convert from the grid power from over 10,000 volts down to 800 volts needed for next-generation data centers. We estimate this stage requires about 8 million of power semis per gigawatt of power delivered, which translates to about a \$500 million per year opportunity for silicon carbide technology in the next five years.

But this is only the estimate for grid powered data centers, we see the same trends and opportunities to upgrade the grid to connect with large scale renewable energy and storage systems and also, to power the rest of our increasingly electrified planet. In total, we estimate SSTs and grid power reflects well over [\$1 billion] per year total market for Navitas' silicon carbide technology by 2030.

This takes us to the second stage, which converts that incoming 800 volts from the grid down to 48 volts. This second stage requires 800 volts-to-48volt DC-to-DC converters that are integrated directly onto the server motherboard, where real estate is at a premium and thermal management is critical.

As a result, this second stage will require the highest frequency, efficiency, and density technologies which GaN and silicon carbide can offer. While the 800-volt input of the (inaudible) can utilize high-voltage GaN or silicon carbide, the 48-volt output of the (inaudible) is a perfect fit for our new mid-voltage 80- to 200-volt GaN, which we expect to introduce beginning later this year.

Our target customers for this stage include (inaudible), (inaudible), and Delta, among others.

Similar to the first stage, initial engineering samples have been evaluated by our early customers with positive results. We are now developing final engineering samples for lead customers in Q4; and supporting them to finalize their system design and supplier selections, in advance of early production ramps expected to start in late 2026.

We are one of only two suppliers that can offer the full range of high voltage GaN, high voltage silicon carbide, and the mid-voltage GaNs for this application. We believe we offer the best performance versions of each. We estimate this application represents \$1 billion per year TAM, given \$15 million of power semis per gigawatt delivered.

Finally, we come to the third stage, which takes the 48 volts from the second stage and converts it down to 12 volts or less to eventually power the AI processor itself. This 48-volt DC-to-DC converter has the most critical demands for high efficiency, density, and reliability, given it is the closest to the AI processor on the motherboard.

For this stage, Navitas will use our new 80- to 200-volt GaN technology. This technology offers industry-leading frequency, efficiency, and density; and does it in an innovative new package, which efficiently removes the heat from the top and the bottom of the package, all in a very tiny 5-by-6-millimeter footprint.

Initial customer evaluations are complete with positive results. As with the other stages, we plan to deliver final engineering samples in Q4 and expect customers to finalize their system design and supplier selections, in advance of early production ramps in late 2026. We estimate this stage represents the largest of the three stages with a \$1.2 billion per year TAM, given \$20 million of power semis per gigawatt of power delivered.

In aggregate, we believe that AI data center and related energy infrastructure opportunities represent a very sizable \$2.6 billion dollar per year market opportunity for our industry and for our company. We are pleased that our years of collaboration with industry leaders like Nvidia has led Navitas to be recognized among this sector's key ecosystem partners.

We are excited at the positive initial customer evaluations and look forward to developing the final technology for each of the three stages I described. We believe we're at the right time and the right place with the right leading-edge technology to establish a leadership position in this fast-emerging AI data center and energy infrastructure market.

While some of the market headwinds and our decision to sharpen our focus within the mobile and consumer segments will constrain our near-term financial performance, we believe we're making the important decisions and investments to capitalize on this exciting opportunity.

We recognize a lot of important information and updates have been shared today. To assist investors to better understand Navitas' plans and opportunities for AI data centers and related energy infrastructure, we're posting a short PowerPoint on our Investor website today that further explains many of the opportunities I just covered. In addition, we will be holding a live presentation and Q&A event open to the public later in the week.

Now, let me turn it over to Todd to explain further on the financial implications of the strategies and initiatives that I've described.

Todd Glickman - Navitas Semiconductor Corp - Interim Chief Financial Officer, Treasurer

Thank you, Gene.

In my comments today, I will take you through our second-quarter 2025 financial results. And then, I'll walk you through our outlook for the third quarter and explain further on the financial implications of some of the important Q2 achievements, market dynamics, and announcements that Gene has described.

Revenue in the second quarter of 2025 was at the midpoint of guidance at \$14.5 million. As expected, revenue and the industry environment remained relatively static compared to the first quarter of 2025. The decline compared to the year-ago quarter was primarily the result of lower revenues in the China EV and industrial markets, as semiconductor customers wait for improved economic indicators.

Before addressing gross profit and expenses, I'd like to refer you to the GAAP to non-GAAP reconciliations in our press release. In the rest of my commentary, I will refer to non-GAAP measures.

Gross margin in the second quarter was 38.5%, which was up sequentially compared to 38.1% in the first quarter, primarily due to a slight favorable change in product mix. In the second quarter, we executed on further synergies and operational efficiencies associated with prior acquisitions, as we reduced operating expenses sequentially from \$17.2 million to \$16.1 million.

Operating expenses were comprised of SG&A expenses of \$6.9 million and R&D expenses of \$9.2 million. Expenses were slightly higher-than-projected as we incurred additional second-quarter-only R&D expenses related to our high-power GaN development.

Consolidating certain support groups and sites and further streamlining day-to-day functions has allowed us to significantly reduce SG&A by 17% or \$1.4 million from the first quarter, while we continue investing in next-generation GaN and SiC technology platforms to serve the increasing power consumption across AI data center and energy infrastructure markets.

Adding all this together, the second-quarter 2025 loss from operations improved sequentially to \$10.6 million from \$11.8 million in the first quarter of 2025 by leveraging SG&A cost reductions.

Our weighted average share count for the second quarter was 199 million shares. Approximately 20 million shares were issued yielding net cash proceeds of \$97 million through our at-the-market offerings that we concluded during the quarter.

Turning to the balance sheet, accounts receivable was relatively flat since last quarter at \$12.5 million. Inventory is \$15.1 million, down from \$16.1 million in the first quarter. We took an approximately \$3 million China SiC inventory reserve on US-produced SiC products, given the impact of the unstable tariff environment on our sales into China.

Ultimately, we believe our US manufacturing location for sick wafers will provide Navitas with a significant strategic advantage with our US customers for AI data center and energy infrastructure, over time.

Our balance sheet remains very strong as we exit Q2 2025 with high levels of liquidity and improved working capital position. Cash and cash equivalents at quarter end were \$161 million. We continued to carry no debt.

Moving on to guidance for the third quarter, we currently expect revenue of \$10 million, plus or minus \$500,000. This expected revenue reduction reflects both adverse impacts from China tariff risks for our silicon carbide business and our strategic decision to deprioritize lower-margin China mobile business, while we accelerate our investment and leadership in AI data centers and associated new energy infrastructure.

These applications have ever increasing power demands ideally served with Navitas' differentiated GaN and SiC technologies that we expect to yield strong growth potential and higher margins over time.

We believe this transition toward AI data center and energy infrastructure markets will take multiple quarters. We have set up our balance sheet, accordingly.

In addition to the completion of our \$97 million net capital raise, we have reduced operating expenses 25% from second-quarter 2024. We believe we are well-positioned with the resources and runway to execute on opportunities for our next wave of growth, driven by increased scale and profitability.

Gross margin for the third quarter is expected to be flat compared to the second quarter, with our guidance at 38.5%, plus or minus 50 basis points, as our expected mix remains consistent in the near term.

Turning to operating expenses, we anticipate operating expenses of \$15.5 million in the third quarter, down from \$16.1 million in Q2 2025 as we continue to execute on our plan of focusing on fewer markets to drive capital efficiency across the business through the transition.

For the third quarter of 2025, we expect our weighted average share count to be approximately 214 million shares.

In closing, we are pleased with our Q2 results, particularly around the recognition of our technology-attracting fresh investment, the announcement of strategic ecosystem partnerships, and the acceleration of our focus and investment in data centers and energy infrastructure.

Looking forward, while some industry headwinds continue and we will expect to further lessen our reliance on mobile revenues, we are confident these strategic moves position the company for its next wave of significant growth.

Operator, let's begin the Q&A session.

QUESTIONS AND ANSWERS

Operator

We will now begin the question-and-answer session.

(Operator Instructions)

Ross Seymore, Deutsche Bank.

Ross Seymore - Deutsche Bank AG - Research Analyst

Gene, in this transition -- let's get the bad news out of the way first -- how do you expect the revenues to behave between now and the time in, it sounds like, second half of next year where the bigger ramp will occur in the data center side? So as we drop-down first before we go back up on the other side, how should we think that shape looks?

Eugene Sheridan - Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer

Yeah. Thanks, Ross. Good question. The obvious question, right?

As we make the transition, we're going to both reduce dependency on mobile, as Todd and I described, which does involve reducing some revenues; being more selective in that market. At the same time, we're layering in all new design wins from other sectors and even, the 48-volt data centers.

I think those net out to some softer quarters over the next one or two quarters but sets us up well as we shift all of our heavy investment into the AI data center, first, 48-volt; but much bigger, as we described, with the 800-volt. So it will be a transitional period. But some softer quarters in the near term. But setting us up well for big growth as we get into '26.

Ross Seymore - Deutsche Bank AG - Research Analyst

And then, that's the perfect transition to the good side of the equation. When you get into '26 -- and you say most of these ramps are late '26, are you talking second half or fourth quarter?

And then, looking even further beyond that, what's the margin structure you think this business could offer? Especially on your gross margin line, it seems like it would have significantly less pressure from competitors perhaps; but inherently, a more performance-centric market. So what gross margin do you think that could deliver?

Eugene Sheridan - Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer

Yeah. Let me -- covering the first part, recognize the 800-volt data center is heavily a 2027 play. That's a pretty extraordinary one with really high content, we believe, of GaN and silicon carbide across those three stages we talked about.

48 volts are still ramping, right? We previously announced 70 customer projects, over 40 wins. They're not as big. They're not as significant. But those will be contributing and layering into growth and help offset some of that reduced mobile dependency we talked about throughout '26. So I think that's the dynamic for '26 on the top line.

I think on margin, we still have our same long-term margin model, north of 50 points. As you point out, the AI data center and the energy infrastructure markets should be very high-value markets. They're really driven around performance, efficiency, density.

Cost is secondary, even supply chain output is a higher issue than cost. And that's, also, obviously, part of what we're doing with mobile and reducing that dependency; being more selective. So I think all that sets us up well.

I'd add in another factor, which is a big announcement in the quarter, Powerchip. Low-cost 8-inch, that's also going to be layering in over the next 12 to 24 months. That's going to drive great cost reduction for us, better price points in the market, better upside on growth, but also add to the incremental gross margin as we go from high 30%, low 40% and head towards that longer-term model of 50% and beyond.

Ross Seymore - Deutsche Bank AG - Research Analyst

Thank you.

Eugene Sheridan - Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer

Thanks, Ross.

Operator

Blayne Curtis, Jefferies

Blayne Curtis - Jefferies Group LLC - Analyst

Maybe just following up on Ross. I just want to understand what portion of your mobile business, historically, are you deeming that lower gross margin business you're walking away? You said a continued headwind. I'm just trying to understand, does the absolute amount per quarter go lower from here? Or is the remainder stuff you'll stick with for a little bit longer?

Eugene Sheridan - Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer

Yeah. Good questions, Blayne.

And so we've often highlighted how the value of GaN in chargers and in other application goes up as you go up in power. Ultra-fast chargers, we've talked about in the past, are really north of 100 watts. We participated in things below that, 45 watts, 65 watts. Those are popular power levels, even with silicon chargers. There's a lot of volume there. A lot of that volume is in China.

But we don't love the price points. We don't love the margin profile. And we don't love the price profile, going forward. So we're going to really refocus on those ultra-fast chargers, 100-watt and plus.

Case in point, we just announced a 90-watt Xiaomi aftermarket charger. That's a great one. In China, that's with a great brand and a great partner and an incredible power density. It's the power that is on the upper end of most notebooks but in the size of a typical 12-watt silicon charger. So that's the kind of things we'll keep going with.

We're going to like that margin profile better. But admittedly, it's going to be less revenue-based. The mainstream where we're reducing is more China, more 65-watt and 45-watt, and we see that being far more than offset as we start to ramp AI data centers later in '26.

Blayne Curtis - Jefferies Group LLC - Analyst

And then, I just was curious on the transition to Powerchip. Can you just walk us through in terms of your ability to get any volumes before Powerchip ramps? Is there any impact from that transition in your revenue outlook?

Eugene Sheridan - Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer

Yeah.

You can break it into two pieces. We've actually got the, what we call, the mid-voltage GaN that's brand new, 80- to 200-volts. That's very important for 48-volt data centers today and 800-volt data centers tomorrow in this, what I call, the stage 3. That's starting out straight away from Powerchip. We're already sampling that next quarter from Powerchip. That will start ramping production in early '26.

The high-voltage GaN, we're already shipping today from TSMC. We'll start sampling that to customers, if not late this year, early next year. That will start ramping in late '26. We expect a lot of our customers to migrate quite quickly from TSMC to Powerchip, given the big advantages in technology cost and capacity.

Blayne Curtis - Jefferies Group LLC - Analyst

In short, there's no supply issue. This is more -- the revenue headwind is purely because of where pricing and margin went in mobile.

Eugene Sheridan - Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer

Yeah. exactly. Yeah. Thanks for clarifying. No supply at all. In fact, by bringing up 8-inch, that gets you 80% more die per wafer. We'll have a lot of capacity.

No shortages or supply chain issues on our mobile decisions in the short term.

Operator

Kevin Cassidy, Rosenblatt Securities.

Kevin Cassidy - Rosenblatt Securities Inc - Analyst

Since the announcement from NVIDIA, have you seen any adoption increase, just in the 48-volt data centers today, for moving to gallium nitride? It seemed like they were a little hesitant in the past. But does that help break a logjam?

Eugene Sheridan - Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer

Yeah. It's a good thought, Kevin.

I think -- well, it's a little too early to call it fully. But it brings up an important point. While we see GaN designs already underway for the 48-volt system of an 800-volt data center, that same, what I was calling stage 3, that 48-volt converter using GaN, can also be used in 48-volt data centers.

So we're hopeful that as we prove it out with an eye towards 800-volt, we could get some upside next year, putting it in place even before the 800-volt ramp-up with 48-volt data centers.

But it's a little too early to call it. We'll sort of see how that plays out and obviously do what we can to support it.

Kevin Cassidy - Rosenblatt Securities Inc - Analyst

Okay. I see. And then, also on the transition from TSMC to Powerchip, should we expect to see inventory build? Are you going to get a safety supply of TSMC wafers before making the transition?

Eugene Sheridan - Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer

Yeah. TSMC is committed to at least a two-year supply through mid of '27. That might get extended. But even if it doesn't, we can do additional last time buys as you're implying.

Our message to our customers, if it takes them a little bit longer to transition to Powerchip, we can supply them through all of '27, probably even into '28, if it's needed. I don't think it will take anybody that close.

And there are so many big advantages on cost capacity and tech to make that move. But that gives us a nice cushion and a high confidence on supply chain.

Kevin Cassidy - *Rosenblatt Securities Inc - Analyst*

Okay. Thank you.

Lori Barker - *Navitas Semiconductor Corp - Investor Relations*

Thanks, Kevin.

Operator

Jack Egan, Charter Equity Research.

Jack Egan - *Charter Equity Research - Analyst*

Just on the near term, I was hoping you could go through the drivers for the big sequential decline in September. You have a weaker demand environment; some tariff headwinds; and then, the narrowing of your products portfolio. So how much did each of those contribute to the guidance for September?

Eugene Sheridan - *Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer*

Yeah. You summarized it really well, Jack.

They're almost equal weight. In the short term, we knew silicon carbide was a risk for us in China on the tariffs. We're one of the few guys that does US manufacturing. That's a risk that is turning into reality.

That same risk of having US manufacturing, of course, becomes a great strength as we look at AI data centers and energy infrastructure over time because our customers, which are heavily US-based, love the idea of a US supply chain.

But in the short term, that's caused us some impact. I think that's mostly a Q3 impact, maybe a little bit Q4.

The other is the intention to be more selective in mobile, reduce our dependency. That's going to be a multi-quarter effort, as Todd applied.

And then, we've not seen ramp-ups of new design wins, given the industry slowdowns continuing, I think, for a couple of quarters more. It's a little hard to predict even by our larger competitors.

So I'd give them equal weight on driving some of the sequential decline in Q3.

Jack Egan - *Charter Equity Research - Analyst*

Okay. That's helpful.

And then, on the data center side, has the 800-volt announcements with NVIDIA led to more engagement with other data center customers? Would Navitas have the design and support resources to handle those additional products? Would NVIDIA really just take the bulk of your focus for the foreseeable future?

Eugene Sheridan - Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer

Yeah. It's definitely open doors. We thought we're well positioned already. A lot of these customers, we know very well around the world. Many of them are doing power supplies in markets where we're already serving, whether it's notebook or desktop or even early server work that we've already done.

We know the customers well, especially on SST -- that's the newest field, solid-state transformers. So we've had a lot of inbound there. It's opening up a lot of doors, which is exciting.

To your point about opening doors, too, we should mention that NVIDIA is hugely influential. We're super excited about their vision. They're not the only guys looking to drive this move towards higher-voltage data centers. Those are opportunities that are also emerging.

Nothing really to announce yet. But I think there's other players that are going to be pushing in the same direction, expanding the market opportunity.

Jack Egan - Charter Equity Research - Analyst

Got it. Thank you.

Eugene Sheridan - Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer

Thanks, Jack.

Operator

Joe Moore, Morgan Stanley.

Joseph Moore - Morgan Stanley & Co Ltd - Analyst

I wonder if you could talk about the competition for these NVIDIA products. You've had 10 different companies announce their participation in this partnership. Obviously, you guys have a wider range of wide band-gap products to address it with.

But can you just talk about -- when you talk about that SAM -- your position within that SAM?

Eugene Sheridan - Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer

Yeah. Definitely, Joe.

You touched on the first point, which is, this is a pretty extraordinary challenge from grid power at tens of thousands of volts to step it all the way down to GPU power at sub-one volt. Each of these three stages has a big demand on high efficiency and high density. So you're going to need the best high-performance, high-reliability, and high-efficiency technology in each stage.

We feel like we're starting from a great place, not just having the range, but on the silicon carbide, what we call ultra-high voltage, 2.3 kilovolt, all the way up to 6.5 kilovolt -- very few suppliers in that space.

We have the best performance, the best reliability -- in our opinion, gives us a great starting point.

We're investing aggressively to expand that lead generationally in packages and portfolio. You go to that second stage of high-voltage GaN -- which companies have high-voltage GaN, high-voltage silicon carbide? It may take a combination of those two in the second stage.

And the output of that, the mid-voltage GaN, 80- to 200-volt. Very, very few, even of the named suppliers that are participating have that combination.

And then, that third stage is all mid-voltage GaN, 80- to 200-volt GaN with a 40-volt converter, demanding the highest efficiency, highest density.

Part of our strategic decision to defocus and reduce some of our dependency on mobile is shifting aggressively to accelerate that R&D: push that technology advantage, push the focus, and increase the customer intimacy.

I think those are all positives.

Another big positive for us is our size. While we're up against some big guys, I think our small size is our advantage: speed, flexibility, innovation, risk-taking, and focus. It all comes back to focus.

And so a lot of what you heard today is us really doubling down and increasing the focus in this critical fast-moving market.

Joseph Moore - *Morgan Stanley & Co Ltd - Analyst*

Great. Thank you.

Eugene Sheridan - *Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer*

Thanks, Joe.

Operator

Jon Tanwanteng, CGS Securities.

Jonathan Tanwanteng - *CJS Securities Inc - Analyst*

I was wondering, since there's, obviously, no design wins as part of the announcement -- there's a long time until you get there; you're announcing this transition away from your core bread-and-butter markets -- are you getting any design and engineering revenue along the way? Or is it really just risking it all with the knowledge that you do think you have a performing product before we get there?

How should we think about the cash flows along the way, as well? Obviously, nice to see that you do raise the capital but what should we expect before the cash flows start ramping again?

Eugene Sheridan - *Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer*

Yeah. It is an important point. I don't -- as much as the 800-volt is exciting -- and there's a lot to do and we're off to a good start and we think we're well positioned -- it's mainly a 2027 play. 2026 is still ramping on 48-volt data centers.

We've already announced the 40 design wins, over 70 in total customer projects that will be ramping. Yeah, those are being offset by some of this reduction in mobile dependency but you're going to see those shine through as we ramp up in '26. So you're going to see those, I think, great announcements, great design wins.

We didn't put a big spotlight on pipeline this quarter just because we had so much else to cover to better explain the AI data center opportunity. But you'll definitely see those design wins and see those growth proof points along the way throughout '26.

And then, there was another, I think, question, Todd, for you.

Todd Glickman - Navitas Semiconductor Corp - Interim Chief Financial Officer, Treasurer

Yeah. Jon, I think you mentioned something about cash flow. Yeah, this last quarter, our operating cash flow was around \$11 million.

With the \$106 million on our balance sheet today, we expect to maintain cash flow usage of around \$10 million to \$11 million, going forward.

So that's our profile, going forward, because we expect to also keep operating expenses pretty flat.

Jonathan Tanwanteng - CJS Securities Inc - Analyst

Okay. Great. Thank you.

And just to clarify, Gene, when you say things improving through '26, are you talking about just data center or are you expecting other markets to recover, as well?

Eugene Sheridan - Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer

Yeah. think that depends somewhat on the markets. We did enter this year with a strong pipeline, strong design wins. Some of those forecasts have come down or delayed a bit with the continued softness in the market.

But I would certainly expect to see recovery, as I think most do going into '26. That's going to add to some tailwinds for us.

Jonathan Tanwanteng - CJS Securities Inc - Analyst

Okay. Thank you.

Eugene Sheridan - Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer

Thank you, Jon.

Operator

(Operator Instructions)

Richard Shannon, Craig-Hallum Capital Group.

Richard Shannon - Craig-Hallum Holdings LLC - Analyst

A couple of questions here. Gene, curious to understand the change in focus here and what's driving this. Have we had a material change in pricing trends in certain markets here? I know you've got a fairly aggressive competitors, specifically in China with mobile, but wondering if there's been any change here in the last quarter or two that's dictated this? Or is it just a continuing trend that made it harder?

Eugene Sheridan - Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer

Yeah. I think you nailed it on the head, Richard. No big announcements here. We've seen this trend for a while. We've talked about the importance of ultra-fast charging and where we bring the real value.

We participated in some of the more mainstream price sensitive, as I said, 45-, 65-watt -- some decent volume there in China. But those trends continue.

And when the market is soft, people get more aggressive on price, it's normal. But we don't like that pricing trend. We don't like the margin profile. And frankly, we're getting ready for a much more attractive pricing margin profile, where we really want to put our investment and focus, as you're hearing throughout the call.

Richard Shannon - Craig-Hallum Holdings LLC - Analyst

Okay. Fair enough. If I missed this, I apologize. But I just want to get a sense of how you're thinking of the trajectory in gross margins over the near term.

I think it was an earlier question about what to expect from a revenue perspective, which seems maybe bumping along the bottom or whatever phrase you'd like to use. But how do we think about gross margins here, particularly as we de-emphasize some of these lower-margin markets? Will we get up to a bump above 40% here fairly soon? Or does that really take the revenue inflection to make that happen?

Todd Glickman - Navitas Semiconductor Corp - Interim Chief Financial Officer, Treasurer

Yeah. It's actually going to take the revenue inflection to make that happen. To your point, we've delivered 38.5%. We're guiding to 38.5% in Q3. And we expect it to remain that level as some of the other businesses are experiencing some tariff pressure on their margins, mainly in our silicon carbide business.

So you're not going to see that gross margin profile increase until the other sectors kick in.

Richard Shannon - Craig-Hallum Holdings LLC - Analyst

Okay. Great. Thanks, guys.

Eugene Sheridan - Navitas Semiconductor Corp - Chairman of the Board, President, Chief Executive Officer

Thank you, Richard.

Operator

There are no further questions at this time. That concludes today's call.

Thank you all for joining. You may now disconnect.

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