ARBE Earnings Call Transcript

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Quarter: 3

Operator: Good day, everyone, and welcome to the Arbe Robotics Ltd. Third Quarter 2025 Results Conference Call. All participants will be in a listen-only mode. Following management's formal presentation, instructions will be given for the Q&A; session. As a reminder, this conference is being recorded. You should have all received by now the company's press release. If you have not, please check with the company's website at www.arberobotics.com or call EK Global Investor Relations. I would now like to turn the floor over to Mr. Kenny Green from EK Global Investor Relations. Mr. Green, would you like to begin?

Kenny Green: Thank you, Operator. Good day to all of you, and welcome to Arbe Robotics Ltd.'s conference call to discuss the results of the third quarter of 2025. Before we begin, I would like to remind our listeners that certain information provided on this call may contain forward-looking statements, and the Safe Harbor statements outlined in today's press release also pertain to this call. If you have not received a copy of the release, please view it in the Investor Relations section of the company's website. Today, we are joined by Kobi Marenko, Arbe Robotics Ltd.'s Co-Founder and CEO, who will begin the call with a business update. Then we will turn the call over to Karine Pinto-Flomenboim, CFO, who will review the financials. Finally, we will open the call to our listeners for the question and answer session. And with that, I'd like to turn the call over to Kobi Marenko. Please go ahead.

Kobi Marenko: Thank you, Kenny. Good morning, everyone, and thank you for joining us to discuss our results and recent business developments. I'll begin with an update on the most important aspect of our current activities: our strategic progress with OEMs. We are pleased with the solid strategic progress made in the third quarter. As you know, our main goal is to secure design wins with OEMs and become the radar technology provider and core enabler of their ADAS and autonomous driving programs. While it is a long process, we are moving forward and making solid progress each and every quarter. We believe that we are well-positioned and in the lead to be selected as the key enabler for an eyes-off, hands-off automated driving program for a serial retail vehicle by one of the major European OEMs in the near future, and we hope to share further information as soon as we hear. Additionally, another premium European OEM is conducting data collection for a Level 3 program using radars based on Arbe Robotics Ltd.'s chipset. We continue to make strong progress with other OEMs as well. A top Japanese OEM ordered our radar kit for its Level 4 development activities and approved the expansion of the project it initiated last year based on our chipset, including predevelopment activities. I also want to add that in terms of our highly strategic non-OEM collaborations, a global leader in artificial intelligence computing has ordered radar development kits for its full stack of autonomous driving software development, marking a strong validation from one of the most influential players shaping the future of autonomous driving technology as well as AI in general. Global economic shifts are causing some OEMs to postpone new model launches and lengthen their decision timelines for autonomous driving solutions. Despite this, Arbe Robotics Ltd.'s market position continues to grow stronger. We remain encouraged by the steady progress we have achieved throughout 2025, and as the year comes to a close. Based on what we see now, we believe we are well-positioned to secure the key European OEM program I discussed earlier in the short term and additional three program wins within the next three quarters. Our initiatives are aligned with the path to OEM selection, and we continue to expect

that Arbe Robotics Ltd.'s radar technology will serve as a key enabler for 2028 passenger vehicle platforms. We expect the initial revenues will begin in 2027 with a ramp-up in 2028 as our chipsets are used in high-volume production. Thanks to our strong balance sheet, we delivered $52 million in net cash, and we have the runway to support all programs as our revenue reaches the ramp-up stage. With regard to our focus on non-automotive projects, we are seeing increasing global demand in the defense sector. We are currently supplying radar systems for defense pilot programs and evaluation projects. Last quarter, we announced a new defense client. In addition, in the third quarter, we expanded into the maritime domain since our Tier 1 supplier for non-automotive applications announced an order from Watches for radar systems powered by our chipset. These systems will support collision prevention for boats in all weather and lighting conditions. Boating represents another promising new vertical for our radar technology. During the quarter, we won two prestigious automotive technology industry awards: the JUST Auto Excellence Award for leading technology in the perception category and the Auto Tech Breakthrough Award for sensor technology solution of the year 2025. Both awards are proof of Arbe Robotics Ltd.'s contribution to the automotive industry and leading technological advantages, which are bringing unparalleled safety for drivers and advancing ADAS and autonomous driving. Before closing, I want to welcome Chris Van den Elzen to our Board of Directors. Chris brings over thirty years of experience in the automotive industry, working with both OEMs and Tier 1s as former Vice President of Magna International and Executive Vice President of Veoneer, and brings us strong business experience and deep technological expertise, and I'm sure he will be a very valuable asset. In closing, Arbe Robotics Ltd. is well-positioned to benefit from current industry trends as the market transitions to high-resolution radar. Now I would like to turn it over to our CFO, Karine, to go over the financials.

Karine Pinto-Flomenboim: Thank you, Kobi, and hello, everyone. Let me review our financial results for the third quarter of 2025 in more detail. Revenue for the third quarter of 2025 totaled $300,000 compared to $100,000 in Q3 2024. As of September 30, 2025, backlog stood at $200,000. Gross profit for Q3 2025 was negative $200,000 compared to negative $300,000 in the same period last year. The improved change in profitability related to revenue mix. Turning to operating expenses, total operating expenses for Q3 2025 were $11.3 million, down from $12.2 million in Q3 2024. The decrease in operating expenses was primarily due to lower share-based compensation expenses resulting from the full vesting of prior grants and to the reduced volume of new grants, which was the result of new grants being in the form of bonus liability. The decrease in operating expenses was partially offset by an unfavorable foreign exchange impact and higher labor costs. Operating loss for the third quarter of 2025 was $11.5 million compared to a $12.4 million loss in 2024. Adjusted EBITDA, a non-GAAP measurement, which excludes expenses for non-cash share-based compensation and for non-recurring items, was a loss of $9.2 million in 2025 compared to a loss of $8.2 million in 2024. We believe that this non-GAAP measurement is important in management's evaluation of our use of cash and in planning and evaluating our cash requirements for the coming period. Net loss in the third quarter of 2025 was $11 million compared to a net loss of $12.6 million in 2024. As of September 30, 2025, Arbe Robotics Ltd. held $52.6 million in cash and cash equivalents and short-term bank deposits. Turning to our outlook, while global economic shifts are leading some OEMs to delay new model launches and extend decision timelines for advanced driver assistance systems, Arbe Robotics Ltd.'s market position continues to strengthen. We are actively expanding engagements with leading OEMs, progressing through advanced RFQ stages, and building a solid foundation for large-scale adoption. Our goal remains to secure four design wins with OEMs in the coming three quarters. For 2025, revenues are expected to be in the range of $1 million to $2 million. The change to our revenue expectation reflects shifts of certain NRE programs. However, adjusted EBITDA expectations remain unchanged at a loss of $29 million to $35 million. I want to stress that Arbe Robotics Ltd. enters 2026 with a significantly strengthened balance sheet with over $52 million in net cash, supporting continued execution of our long-term strategic and growth plan. Now we will be happy to take your questions. Operator?

Operator: Ladies and gentlemen, at this time, we'll begin the question and answer session. Our first question today comes from Suji Desilva from ROTH Capital. Please go ahead with your question.

Suji Desilva: Hi, Kobi. Hi, Karine. First question on the guidance for four design wins. Curious if that's four separate OEMs. And second of all, the specific guidance of the next three quarters, I'm curious

what's driving the near-term visibility there?

Kobi Marenko: So yes, it's four different OEMs. And basically, we know that for sure there are decisions that should be taken in the next three quarters. We believe that we will be able to win at least four of them.

Suji Desilva: Okay, Kobi. Very helpful. Thanks. You said at least four. Okay. And then the customer programs, do you have a sense whether these model wins or opportunities are for certain premium models or across the board platforms or mainstream? Any color on the penetration you would expect if you secure these wins will be helpful?

Kobi Marenko: We believe that all of the programs will start with premium cars. But with the volumes as time goes by and the years go by, this will go to non-premium models as well. We see it from the numbers. So we're starting, of course, in very high-end. And it's going to still, it won't be in entry-level vehicles, but it will be in high-end and let's say the top cars.

Suji Desilva: That's helpful, Kobi. And then last question maybe for Karine. The calendar 2025 full-year guide implies a wide Q4 range here. I'm wondering what the factors are to swing it from the low end to the high end?

Karine Pinto-Flomenboim: Thanks. Sorry, can you repeat the question?

Suji Desilva: Sure. Your full '25 revenue guidance of $1 million to $2 million implies a fairly wide Q4 range of outcomes. I'm wondering what might swing it to the high versus low end? Is that product shipments or revenue coming in? Any color there would be helpful.

Karine Pinto-Flomenboim: Understood. So as we mentioned, we have some NRE shifts, and based on the decision that is made by our customers, the sooner the decision will be made, the sooner in Q4, then we will be able to push those NRE revenues rather than push them outside to 2026. So this is what's driving mainly the tweak between the low to the high end.

Suji Desilva: Okay. Thanks, Kobi. Thanks, Karine.

Operator: And our next question comes from George Gianarikas from Canaccord. Please go ahead with your question.

George Gianarikas: Hi, everyone. Thank you for taking my questions. Maybe just to give us a little bit more insight into how these conversations are going with the OEMs and the puts and takes, things that are happening that you see as positive, and maybe some of the reasons you're seeing for the push out in decision making? Thank you.

Kobi Marenko: So I think, first of all, I think that the dialogues are going well. And we see more and more OEMs buying radars and using them in order to collect data and to train their algorithms for full self-driving. What we see now, I think with all of the OEMs, there was at the beginning of the year, there was, I believe, decisions were postponed because they didn't know what the tariff will look like and what influence it will have. And this is what caused, I think, at least two quarters of delay. Right now, there is a clear path to decisions. And I think that from now on, we will see decisions are taken, will be taken. There is price pressure from the OEMs on every component in the system. And I think because of that, we have a huge advantage because our high-end radar is almost in the price of low-end radar today in the car, and we will be able, from the beginning, to design our system for a price that is affordable, and now we see the benefit of it.

George Gianarikas: Thank you. And maybe just, I know it's early, but I'd like to understand how you think we should think about 2026 and 2027, maybe, and just sort of the way we should model the ramp in your revenue, OpEx, cash burn, just so we can have sort of a sense of a new model over the next couple of years? Thank you.

Kobi Marenko: So I think '26, most of our revenues will come from non-automotive, which we see right now a great ramp-up from this business. As I mentioned, from almost every vertical that we are touching, we see orders and repeated orders from different sectors, from yachts, from small cities, all of that are bringing more and more orders, and we believe that next year we should expect a nice amount of revenues from non-automotive. The second part of it is the ramp-up of revenues from China from hiring. We still don't have the final visibility on the exact month that it will start, but we believe that we will see some revenues from common vessels in China as well.

Karine Pinto-Flomenboim: Just to complete for your understanding of the OpEx, so as Kobi mentioned, next year will be non-automotive. Our current OpEx structure supports those revenues. And also going

towards '27, so we assume a stable level of OpEx not increasing too much, and towards the ramp-up of the automotive, we will see a ramp-up, of course, in headcount, mainly customer base, to support this ramp-up.

Kobi Marenko: Thank you.

Operator: And ladies and gentlemen, with that, we'll be ending today's question and answer session. I'd like to turn the floor back over to Mr. Marenko for any closing remarks.

Kobi Marenko: On behalf of the management of Arbe Robotics Ltd., I would like to thank our shareholders for your continued interest and long-term support of our business. Our employees and partners, your continued dedication is deeply appreciated. In the coming months, we will be meeting with investors and presenting at various investor conferences, which we have announced, and we hope to see some of you there. If you're interested in meeting or speaking with us, feel free to reach out to our Investor Relations team. You can contact us at investors@arberobotics.com to schedule a meeting. And with that, we end our call. Have a good day.

Operator: And ladies and gentlemen, that concludes today's conference call and presentation. We do thank you for joining. You may now disconnect your lines.