

07-May-2026

Flux Power Holdings, Inc. (FLUX)

Q3 2026 Earnings Call

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon and welcome to Flux Power's Fiscal Third Quarter 2026 Earnings Conference Call. At this time, all participants are in listen-only mode. At the conclusion of today's conference call instructions will be given for the Q&A session. As a reminder, this conference call is being recorded today, May 7, 2026. [Operator Instructions]

I would now like to turn the call over to Joel Achramowicz of Shelton Group Investor Relations. Joel, please go ahead.

Joel Achramowicz

Good afternoon and welcome to Flux Power's fiscal third quarter 2026 earnings conference call. I'm Joel Achramowicz of Shelton Group, Flux Power's Investor Relations Firm. Joining me on today's call are Krishna Vanka, Flux Power's CEO; Kevin Royal, Flux Power's Chief Financial Officer; and Brian McKenzie, Flux Power's new Director of OEM sales.

Before I turn the call over to Krishna, I'd like to remind our listeners that during the course of this conference call, the company will provide financial guidance, projections, comments and other forward-looking statements regarding future market developments, the future financial performance of the company, new products or other matters. These statements are subject to the risks and uncertainties that we discuss in detail in our documents filed with the SEC, specifically our 10-K and our most recent 10-Q, which identify important risk factors that could cause actual results to differ materially from those contained in the forward-looking statements.

Also, the company's press release and management statements during this conference call will include discussions of certain adjusted or non-GAAP financial measures. These financial measures and related reconciliations are provided in the company's press release and related current report on Form 8-K, which can be found in the Investor Relations section of Flux Power's website at www.fluxpower.com. For those of you unable to listen to the entire call at this time, a recording will be available via webcast on the company's website.

And now it's my great pleasure to turn the call over to Flux Power CEO, Krishna Vanka. Krishna, please go ahead.

Krishna Vanka

Thank you, Joel, and welcome everyone to our third quarter conference call. As we anticipated and signaled last quarter, third quarter revenue was impacted by two factors. Our largest material handling customer implementing a capital freeze and the dynamic ordering patterns across the business. Late in the quarter, rising geopolitical tensions in the Middle East drove fuel prices higher, which further delayed some customer spending. Together, these headwinds pulled consolidated revenue below our expectations entering the quarter. Importantly, however, in both the ground surface equipment business and with our material handling customer navigating their capital freeze, customer commitment to Flux remained strong. We expect order activity to return to prior levels once these near-term headwinds subside.

Given these headwinds, we moved decisively on costs--with our targeted headcount reductions and broader efficiency actions, operating expenses are down 30% versus the prior year period. We continue to optimize our sales team, launching aggressive new marketing programs and expanding our OEM partner engagements. We have been successful in adding senior industry sales professionals to the team, and we are in the process of replacing our sales leader, and we are anxious to have this position filled soon. Further, under new marketing leadership, we launched a comprehensive digital strategy spanning social media, lead generation and brand awareness initiatives. We also had a strong showing at the MODEX show in Atlanta last month. One of the most important industry events on our calendar. The highlight was winning the Innovation in Sustainability Award after a rigorous vetting process, including multiple booth visits from an elite panel of industry judges, Flux Power was recognized for delivering an innovative sustainability solution not currently offered by any other company in our space. This award reflects our commitment to cleaner more efficient and holistic energy lifecycle management from design through deployment to recycling. We believe no one in the lithium-ion battery industry does this better than Flux Power.

Beyond the award, MODEX delivered on several fronts. Booth traffic was strong with meaningful engagement from both new prospects and existing customers. We showcased recent advancements to our SkyEMS fleet Intelligence platform, including mobile dashboards, real-time notifications, expanded data integration and API connectivity and advanced reporting and analytics. And we also featured our newly patented state of health technology, which we believe represents a significant advancement in battery life cycle management. I want to highlight another development driving new business activity. You may recall that we announced last quarter that we hired a new Director to work with our existing OEM partners and to identify and cultivate new OEM partnerships.

He has more than 20 years of experience working for material handling OEM and their dealer networks. Brian McKenzie is here with us today and will provide an overview of his efforts. Brian?

Brian McKenzie

Thank you, Krishna. I first wanted to say I'm very happy to be with Flux Power. I'm thoroughly enjoying working with our existing OEM partners and also working with other OEMs to introduce them to Flux and identify how we can work together. Also, I wanted to highlight a few data points related to the global forklift market and the status of the electrification of the forklift industry. The global forklift market was approximately \$87 billion in calendar year 2025. The electric share of new purchases in North American market was 65% for the same period. Lithium-ion penetration stands at 32% at the end of the calendar year 2024 and is projected to exceed 70% by 2034, with calendar year 2027 being the year that lithium ion overtakes lead acid as the preferred power source for electric forklift.

In addition, the North American forklift market is projected to grow at a compound annual growth rate of 17.2% through calendar 2031. These factors, along with Flux's strong product portfolio, are the same primary reasons I'm excited to be part of the Flux team. I've already been in contact with several OEMs. I'm pleased with the responses I've received and looking forward to securing new OEM partners.

Now I'd like to turn it back over to Krishna. Krishna?

Krishna Vanka

Thank you, Brian. The company has also been working closely with existing OEM partners to optimize our pricing structure for our white-label products. We believe this initiative increases our competitiveness in the market and it has resulted in increased volume commitments from our existing OEM partners. As a result of these developments, along with proactive efforts I have outlined above, we are seeing positive indications of increased order activity going into the fourth quarter and expect sequential revenue growth of approximately 20% in the fourth quarter.

Additionally, we are aggressively working to improve margins through near-term supply chain optimizations, vendor renegotiations and through product redesign efforts. We believe that these initiatives will have a significant impact on our operating model and will improve our profitability. I look forward to providing additional details of these new efforts and our results on the next earnings call.

Let me be clear, while I am excited with our new initiatives and we believe we will be positioned positively in the market, I'm not satisfied with the results. We are taking every step we believe is necessary to meet and ultimately exceed historic revenue levels, achieve profitability and build a stable, recurring revenue stream business. We have proven our potential to get there based on our Q2 performance. To achieve this profitability goal back, the Flux team remains intently focused on the five strategic initiatives that continue to guide us, which include, number one, profitable growth. Number two, operational efficiencies. Number three, solution selling. Number four, building the right products. And number five, integrating value added software. We continue to make progress on these initiatives each quarter as they remain a top priority for the company.

With that, let me now hand the call over to our CFO, Kevin Royal, to discuss our third quarter financial results in more detail. Kevin, please go ahead.

Kevin Royal, CFO

Good afternoon, everyone. Revenue for the fiscal third quarter of 2026 was \$6.6 million compared to \$16.7 million in the same quarter last year. Gross margin in the third quarter was 27.3%, compared to 32.0% in the prior year period. The year-over-year decline in gross margin was largely due to changes in product mix and lower volumes resulting in higher unabsorbed labor and overhead. Operating expenses in the third quarter of 2026 were \$4.8 million, compared to \$6.9 million in the third quarter of 2025. The year-over-year decrease in operating expenses primarily reflects cost reduction actions taken to reduce head count and streamline the operating model.

Net loss for the third quarter was \$3.2 million or \$0.15 per share, compared to a net loss of \$1.9 million or \$0.12 per share in the third quarter of 2025. Excluding stock based compensation, third quarter non-GAAP net loss was \$2.9 million or \$0.14 per share, compared to a non-GAAP net loss of \$1.1 million or \$0.07 per share in the prior year period, which also excluded costs associated with the multi-year restatement of previously issued financial statements. Adjusted EBITDA for the third quarter was negative \$2.5 million compared to negative adjusted EBITDA of \$0.5 million in the same quarter a year ago. Turning to the balance sheet, we ended the quarter with cash and cash equivalents of \$400,000 compared to \$1.3 million at the end of our 2025 fiscal year.

Now, I'll hand the call back to Krishna for closing comments before we open it up to your questions. Krishna?

Krishna Vanka, CEO

Thank you, Kevin. In summary, I want to emphasize that the entire Flux team remains fully focused on executing our key strategic initiatives as we navigate the short-term challenges. We believe the markets we are targeting in the global lithium-ion industry continue to offer expanding growth opportunities. In addition, our leaner cost structure, margin improvement initiatives, new product development and enhanced sales and marketing efforts are designed to position us for a return to growth and profitability as our revenue recovers. Thank you for your continuing interest and support of Flux Power.

Operator, you may now poll for questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions]

A

Operator: Okay. And the first question comes from Sameer Joshi with H.C. Wainwright. Please go ahead.

Q

Hey. Good afternoon Krishna, Kevin and welcome, Brian, to the team. Thanks for taking my questions. So maybe the first question goes to Brian. You obviously have good exposure or experience in the OEM field here and you've highlighted in your comments that this industry is growing at around 17.2% CAGR to 2031. Like what, what is the strategy? What are what is the approach that you are taking to grow faster than this 17.2% for Flux to grow faster than the 17.2%?

A

Hi, this is Krishna. I will start the answer and then we'll have Brian fill it up here. Definitely, our approach is to continue working with the existing OEMs to further get the share of the wallet, as well as work with the new OEMs that are in the market for us to be able to be not only certified but eventually work more closer with them. Brian?

A

Yeah, thank you, Krishna. That's a really good question. We're working with OEMs. We have some that are on non-disclosure agreements, but their path forward in the market is to go with the majority of their product line being electrification, electric lift truck models. So, it aligns with what our goals are to grow not only with them but ahead of them so that we're ready for the market as they continue to phase that asset out of their operations.

Q

Understood. So, and then just stepping back in terms of Krishna, you mentioned 20% sequential growth. Do you have any further visibility beyond that for 2027 in terms of the pipeline that you may be looking at and maybe orders that are already on the books and will be executed in the fiscal first quarter or second quarter of next year?

A

Yeah, we are definitely seeing increased activity, I can say that and we believe we are coming back up from this quarter, picking up 20% this existing quarter and then hopefully continue that trend forward. The whole geopolitical situation obviously is not helping much, so we are hoping that will subside soon as well. But I can see positive trends. We are investing significantly into marketing. We have done the price adjustment as we mentioned on the call. We are working closely with Brian and getting more OEMs. We are looking at the new sales leader. So, all above activity should let us continue to grow beyond this Q4 and into Q1.

Q

And actually, sort of that answer segways into my last question, you mentioned you have a comprehensive social media strategy. Should we expect a well first, can you just give us a little bit more insight into what that entails? And then part two of that question is, does that incrementally sort of add to the operating costs a little bit here going forward?

A

Sure. Good question. So, our strategy is on the entire digital marketing with the focus on ability to create more leads for our salespeople to be able to follow up and get closer with the end customer, especially as we target the top leads in the market. And this includes the digital strategy, includes collecting information through social media. We are working on a few good initiatives. We just got started. We are doing a significant account-based marketing campaigns. We are seeing some good feedback. Our MODEX show has proven to us that we are not only getting good leads but also quality leads as we start following up with them. And Sameer, all of this, we are doing it with the existing budget and it's just making the team focused on what is important. And with Michelle, who is our Director of Marketing, who joined us almost five, six months ago, she was able to put this program together and start executing since January. So, we are just starting to see the fruits of it, but we are positive this will help us get more into the pipeline and into the backlog.

Q

Understood. Thanks for taking my questions. Congratulations on the success at MODEX and good luck for the rest of the year.

A

Thank you.

A

Thanks.

Operator: The next question comes from Rob Brown with Lake Street Capital Markets. Please go ahead.

Q

Good afternoon. Thanks for taking my call. Just wanted to clarify on the outlook. The 20% growth off of what you reported here in Q3, is that right? That's the sort of baseline.

A

Yeah, that's correct. Sequential.

Q

Okay. Just one more color on that and the visibility on the lessening the freeze, do you see sort of that coming or is that is that still to be determined?

A

We do see indications of an eventual lift, but not this calendar year.

Operator: Okay. Mr. Brown, did you have a follow up?

Q

No. Thank you.

Operator: Okay. [Operator Instructions] The next question comes from Craig Irwin with Roth Capital Partners. Please go ahead.

Q

Good evening and thanks for taking my questions. So, I wanted to ask about the relative levels of activity that you're seeing in the electric forklift market versus the airport ground equipment market. You've done a lot of things to introduce new products and bring new technology to these different customer groups over the last few years with specific product introductions that maybe we were optimistic about just a few months ago. Can you help us unpack sort of the relative activity in these two different markets and whether or not some of these product changes have been helping you specifically as far as generating leads that will be revenue in the next couple of quarters?

A

Sure. Hey, Craig, thanks for the good question here. So, the GSE market has been pretty steady, I would say in a sense. We did introduce a couple of new products during the last few quarters right. For example, the AMP cart, the GE96 solution, they are all being very positively taken by the market. We still lead the GSE space with respect to the lithium-ion solutions through our partner. And any lag we are seeing here has to do just with the nature of the market, the broader business dynamics, not necessarily anything related to our product portfolio or the GSE in particular. That said, the forklift market has been, as you all know, more than us, going up and down a little bit with respect to the tariffs and the sensitivity to capital spending as well as recently we are particularly affected by one particular customer's capital freeze, which was beyond our control in any way. So, other than that, overall, we are seeing increased activity. So, there was this little bit of increased activity during the tariffs when they came down. And then the war started adding a little bit of stress again to the market. This is really a broader observation from my side. But in both the cases we are looking at growth, definitely the forklift market is something that we are working closely with the OEM's, more dealership activity, more OEMs, more certifications is our approach. And with GSE, we are committed to working with our partner as they start bringing new airlines into the mix.

Q

Thank you for that. And then given the sequential progression in the revenue, I was actually pleasantly surprised that the margins were as strong as they were. Can you maybe talk a little bit about what went right on the gross margin side? I know it's a little bit of an effort over the next couple quarters to climb back to where you were and get towards your longer term targets of 40%. But can you talk about what's been working for you and how this should impact progress off of this last quarter over the next couple of quarters?

A

Yeah, Craig, I would say what has gone right for us is that we've had a focus on improving our product costs, working with existing vendors in some cases, in other cases, creating competition by putting certain subassemblies out for bid and thereby lowering the cost. That work is ongoing and will continue and we have seen a fair amount of progress that has not rolled through cost of sales yet, just because we hold inventory of the older higher priced components. We have other additional plans to do product redesigns, which of course take longer. So, we won't be realizing those improvements for probably 12 to 15 months. But we are happy with the progress that we've made thus far solely working on the supply chain side of the equation.

Q

Understood. And then last question, if I may, also is a balance sheet question. So, Kevin, everybody's going to understand the inventory, right? It's actually pretty good management, just \$1 million quarter-to-quarter on the sequential decline you had, that's in my view, healthy. But what was extraordinarily healthy was \$4.6 million in cash out from receivables. Did you change terms in there or was there any maybe discounting you offered or any specific items in there that allowed you to basically cut your receivables better than 50% in the quarter?

A

We really didn't change the terms. We've been fortunate that even with deteriorating conditions in some cases, we've been able to hold the line with payment terms. But we did have good, I would say, good, strong collections from last quarter's shipments, which I think helped reduce the receivables. Yeah, by the March 31 balance sheet date.

Q

Okay, excellent. I'll go ahead and I'll hop back in the queue. Thank you.

A

Thank you.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Krishna Vanka for any closing remarks.

Unverified Participant

Thank you again for joining today's call. We look forward to speaking with you all again in our Q4 call during September timeframe. Operator, you may now disconnect.

Operator: Thank you. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2026 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.