

# **Navitas Semiconductor Corporation (NVTS) Q1 2024 Earnings Call Transcript**

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**Body**

Navitas Semiconductor Corporation (NVTS)

Q1 2024 Earnings Conference Call

May 9, 2024 5:00 PM ET

Company Participants

Stephen Oliver - Vice President, Corporate Marketing and Investor Relations

Gene Sheridan - Chief Executive Officer

Janet Chou - Chief Financial Officer

Conference Call Participants

Kevin Cassidy - Rosenblatt Securities

Charles Strauzer - CJS Securities

Jack Egan - Charter Equity Research, Inc.

Nicholas Dillon - Needham & Company, LLC

Richard Shannon - Craig-Hallum Capital Group LLC

Presentation

Operator

Thank you for standing by. My name is Benjamin, and I'll be your conference operator today. At this time, I would like to welcome everyone to Navitas Semiconductor First Quarter 2024 Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I would like to turn the call over to Stephen Oliver, Vice President of Investor Relations. Please go ahead.

Stephen Oliver

Good afternoon, everyone. I'm Stephen Oliver, Vice President of Investor Relations. Thank you for joining Navitas Semiconductor's first quarter 2024 results conference call. I'm joined today by Gene Sheridan, our Chairman, President, CEO, and Co-Founder; and Janet Chou, EVP, CFO, and Treasurer.

A replay of this webcast will be available on our website approximately 1-hour following this conference call, and the recorded webcast will be available for approximately 30 days following the call. Additional information related to our business is also posted on the Investor Relations section of our website.

Our earnings release includes non-GAAP financial measures. Reconciliations of these non-GAAP financial measures with the most directly comparable GAAP measures are included in our first quarter earnings release, and also posted on our website in the Investor Relations section.

In this conference call, we will make forward-looking statements about future events or about the future financial performance of Navitas, including acquisitions. You can identify these statements by words like we expect, or 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 sections in our most recent 10-K and 10-Qs. Our estimates or other forward-looking statements may change, and Navitas assumes no obligation to update forward-looking statements to reflect actual results, change assumptions, or other events that may occur, except as required by law.

And now, over to Gene Sheridan, CEO.

Gene Sheridan

Thanks, Steve, and thanks to all of you for joining us today. I'm pleased to announce Q1 revenue of $23.2 million, which reflects 73% year-on-year growth. These results reflect continued market leadership with our GaN technology displacing silicon in our EVTECH [ph] mobile charger market, but also expansion into home appliance and AI-based data centers with continuing shipments of our leading edge GeneSiC technology into the industrial, EV, solar, and energy storage segments.

Let me give further specifics in each of our target markets. In data centers, AI is driving an unprecedented and accelerated increase in power requirements. Traditional data center processors required only 300 to 400 watts each last year, while NVIDIA's latest generation prevented 700 watts, and now the recently announced Blackwell chipset requires well over 1,000 watts. This 300% increase in power in just 18 months in combination with the EU-driven titanium standard that requires a 96% minimum energy efficiency creates a very big challenge for our power supply customers and a very big opportunity for Navitas.

In the last 6 months, we have stepped up to that challenge, enabling server power supplies to increase from 3.2 kilowatts at 96% efficiency to 4.5 kilowatts at 97% efficiency, and now we are well on our way to 8 to 10 kilowatts at 97% to be delivered to our customers later this year. These advances are attributable to our leading-edge GaNSafe technology, combined with our industry-leading Gen-3 Fast silicon carbide and our unique data center system design capability.

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We are pleased to announce three major design wins at some of the world's largest power supply companies. Taken in combination with over 30 customer projects now in development, in the coming quarters, we expect to enable GaN-based data centers with AWS, Azure, Google, Supermicro, Inspur and Baidu. In total, we anticipate multiple millions of revenue this year and $10 million to $20 million in 2025 all being accelerated by these recent AI developments, which we expect to continue for years if not decades to come.

In EV, we are seeing a significant expansion in our customer pipeline given strong penetration into mainstream passenger battery EVs and also plug-in hybrids, commercial EVs and even fuel cell hydrogen clean energy cars. Our EV system design team originally created a 6.6 kilowatt onboard charger platform, which is driving significant customer adoption.

Recently, we have launched a 22 kilowatt OBC platform that enables 3x faster charging, while delivering double the power density up to 30% greater energy saving and 40% lighter weight relative to comparable solutions on the market. These system capabilities are once again enabled by a combination of our Gen-3 Fast silicon carbide and our GaNSafe industry-leading technologies.

We anticipate these platforms will drive considerable new revenues with additional silicon carbide customer projects ramping in the first half of 2025 and, again, EV adoption on track to ramp in the second half of 2025. In total, we are now engaged with over 160 EV-related customer projects across all major regions, which are expected to drive tens of millions of sales in 2025, and these projects have already increased our total EV pipeline by over 50%, since we've reported our $400 million pipeline in December.

In the Appliance and Industrial segments, we are also making excellent progress. Our latest motor-optimized GaNSense half-bridge now has over 15 customer projects in development, with major wins at a European leader in hair care that will launch at the end of this year, a Tier 1 U.S.-based dishwasher supplier, and two of the top European leaders in pumps and motors, which will all launch in 2025. All told, GaNSense half-bridge total pipeline is now over $100 million in home appliance.

In more industrial applications, our latest Gen-3 Fast silicon carbide and GaNSafe technology are achieving rapid adoption in over 25 customer developments, with over $150 million pipeline potential. Combining these together with other opportunities, our appliance and industrial pipeline has grown significantly beyond $360 million that we reported in December.

In Solar and Energy Storage, we are seeing signs of recovery with six new wins across U.S., Europe, and Asia for solar optimizers, micro-inverters, string inverters, and energy-storage applications, all expected to start ramping in 2025. In particular, a major micro-inverter leader has publicly committed to a major transition to GaN double-ramp in the first half of 2025, which we expect represents tens of millions in annual revenue potential. In total, our solar and energy storage pipeline has also increased significantly beyond the $250 million we reported in December.

In Mobile and Consumer markets, we continue to see strength as all major mobile OEMs across smartphone, tablet, and notebooks, continue to adopt GaN to replace silicon in a growing percentage of their chargers, especially those at 65 watts and above a sweet spot for GaN ICs. In Q1, we added over 20 new fast chargers into production, taking the total released customer products to over 450. This includes 10 of the top 10 mobile OEMs across smartphone and notebooks.

Notably, Xiaomi launched another two smartphone models, the Mi 14 Ultra and the CIVI 4 Pro, using our Gen-4 GaNSense ICs to support ultra-fast charging. And Lenovo launched the Thinkbook 170-watt desktop 5-port charger and docking station with Gen-4 GaNSense.

Finally, I'm excited to announce that all new GaN IC family we call GaNSlim. GaNSlim offers all the impressive features of our existing GaNSense technology such as integrated drive and lossless current sensing, but also slims down the solution by integrating additional external components, further simplifying the system design and reducing customer manufacturing costs.

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GaNSlim is a major step forward that could increase our GaN TAM by enabling lower system costs compared to silicon design for many applications. GaNSlim targets applications under 500 watts across mobile consumer and home appliance. While the formal product launch will not occur until June, we started sampling just two months ago and already have over 20 customer projects in development and added over $20 million to our pipeline. We anticipate over $10 million in new revenue for 2025 from our GaNSlim product line.

Overall, we have not yet observed any signs of a broader market recovery in the second half of the year and this may translate to a more moderated growth in 2024. Nonetheless, we're very pleased with the significant success and adoption of our latest industry-leading technologies, GaNSafe, GaNSense half-bridge ICs, Gen-3 Fast silicon carbide and our newest GaNSlim family. All of which are driving important increases in our customer pipeline that is increasing nearly 30% from December to $1.6 billion.

Much of that existing opportunity in pipeline growth is coming from new 2025 production programs across all major regions end markets, which is increasing our confidence for strong diverse growth for 2025 and beyond.

With that, let me turn it over to our CFO, Janet Chou to discuss the financials.

Janet Chou

Thank you, Gene. In my comments today, I will first review our first quarter financial results and I'll take you through our outlook for the second quarter.

Revenue in the first quarter of 2024 grew 73% year-over-year to $23.2 million, slightly above the midpoint of our guidance range. While we are experiencing similar macroeconomic factors as others, in certain of our end markets such as EV, industrial, and solar, our mobile business was shown in the first quarter demonstrating the benefits of our smaller, faster, more energy efficient technology as we continue to gain significant traction in mobile and consumer charging applications.

Before addressing expenses, I'd like to refer you to the GAAP to non-GAAP reconciliation in our press release earlier today. In the rest of my commentary, I will refer to non-GAAP expense measures.

Gross margin in the first quarter was 41.1%, the same as the first quarter of 2023 due to mobile market product mix as we continue to see strength in that part of our business. Total operating expenses for the first quarter were $21.3 million, comprised of SG&A expenses of $8.5 million and R&D expenses of $12.9 million. This expense increase of 20% year-over-year is much slower than our revenue growth as we sharpen our focus on profitability, while continuing to emphasize investments in new products, technologies, and emerging markets.

The sequential growth was primarily driven by higher payroll taxes and annual salary increases. As expected, we sequentially increased our R&D to support significant new product developments, like GaNSlim and many others plan to launch in this year and next.

Putting all this together, the loss from operations for the first quarter of 2024 was $11.8 million, compared to a loss from operations of $12.3 million in the first quarter of 2023. Our weighted average share count for the first quarter was 180 million shares.

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Turning to the balance sheet, it remains very strong with high levels of liquidity. Cash and cash equivalents at quarter end were $129.7 million and would continue to carry no debt. Accounts receivable declined to $22.2 million compared to $25.9 million in the prior quarter.

Inventory increased to $33.2 million compared to $23.2 million in the prior quarter. The inventory increase reflects additional strategic purchases of silicon carbide materials and increases to support major product launches and customer program runs later in the year.

Moving on to guidance for the second quarter, we currently expect revenues of $20 million plus or minus $500,000. At the midpoint, this represents year-over-year growth of more than 10% compared to the $18.1 million were recorded in the second quarter of 2023. And the guidance is down sequentially from the first quarter due to decreased demand in our EV, solar, and industrial markets, partially offset by projected continued strength in the mobile market and initial ramp for data centers.

Gross margin for the second quarter is expected to be approximately 40%, plus or minus 50 basis points, as our mix continues to lean more towards the mobile market in the near-term. As we move through the year, we expect margin improvement will align with growth in higher margin market.

In total, our non-GAAP operating expenses in the second quarter are expected to be approximately $21.5 million, and this excludes stock-based compensation and amortization of intangible assets. Although we will continue to invest in growth-oriented initiatives, particularly in R&D, we expect growth in operating expense dollars will be modest during 2024.

In closing, while we are not immune to some of the same macro trends seen by others, we continue to deliver growth that significantly outpaces the overall power semiconductor market. We are very pleased with the customer reception and adoption of our new products, the expansion of our customer pipeline, and the outlook for much faster growth as some of our end markets recover.

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

Question-and-Answer Session

Operator

Thank you. We will now begin the question-and-answer session. [Operator Instructions] And your first question comes from the line of Kevin Cassidy with Rosenblatt Securities. Please go ahead.

Kevin Cassidy

Yes, thank you for taking my question. Congratulations on the great results. And also, congratulations, Gene, for a well-deserved nomination as a finalist for Entrepreneur of the Year in LA. Congratulations.

Gene Sheridan

Thank you, Kevin.

Kevin Cassidy

It's exciting news what you're showing about data center. We hosted a tour of a CoreSite data center and the clear message from the management team was they need more power. And, yeah, it looks like there's a definite demand from data centers and pretty exciting that you're winning the designs now and you're going to start seeing revenue. Is this revenue going to be accretive to gross margin right away or does it take a while to get the volumes up to get to gross margins that would be above corporate average?

Gene Sheridan

Yeah. No, good question, Kevin. And it's accretive straight away running above the average. I think typical of any of the industrial markets, especially with the new products like GaNSafe and Generation-3 Fast silicon carbide, we expect them to be accretive on gross margin straight away. And as I mentioned in my remarks, a few million dollars ramping already started this first half, but ramping more significantly in the second half and $10 million to $20 million anticipated at this point for next year.

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Kevin Cassidy

Okay. Great. And can you give us a ballpark for the dollar content like if there's a dollar content per watt or per kilowatt for Navitas?

Gene Sheridan

Yeah, it's going to depend a lot per power as you said, but depending upon power level you could probably assume $15 to $50, it's in that kind of range, and it's going up as the power level goes up. We are design center delivered a 3.2 kilowatt last year more recently 4.5 kilowatt and we're trying to push that to 5.5 kilowatt with customers and now we're working on an 8 to 10 kilowatt with each of those that content going up and up on the 8 to 10 it's probably in that $50 range or $40 range.

Kevin Cassidy

Okay. Great. Thanks for those details. I'll get back in the queue. Thank you.

Gene Sheridan

You bet. Okay.

Operator

Your next question comes from the line of Jon Tanwanteng with CJS Securities. Please go ahead.

Charles Strauzer

Yes, it's actually Charles Strauzer for Jon. Just a couple of questions for you. When do you expect to see a normalization in demand? Is 40% to 50% revenue growth still possible this year?

Gene Sheridan

Yeah, we're seeing, obviously, continued softness in Q2. It's a good chance Q2 is a bottom. It's a little early to call as we don't have perfect visibility on Q3. But, I think, the general consensus in the industry from our peers, who are seeing a lot of more dramatic degradation, I'd say, in revenue than we are in the first half is that by summer it should turn, so we're looking forward to those signs to confirm growth. But, right now, as we said in our remarks, we would be a little bit more moderate in our growth expectations compared to the 40% to 50% we indicated last quarter.

Charles Strauzer

Great. Thank you. And just one more question for me. Have pipeline opportunities identified in December converted to designs yet or orders at the expected rate?

Gene Sheridan

Yeah, it varies by market, of course, mobile and consumer tends to be shorter-term, and you can see those adoption rates happen faster. For some of the other markets, they're still developing, data center ramping later this year. I did mention a large percentage of the $1.6 billion that we've added to it, since $1.25 billion, and is already there are concentrated in 25 programs, which is why we're so bullish across each of the markets in the conversion rate and indicated tens of millions of new revenue in most of the key markets that we targeted.

Charles Strauzer

Thank you.

Operator

Your next question comes from the line of Jack Egan with Charter Equity Research. Please go ahead.

Jack Egan

Hey, guys. Thanks for taking the question. So you mentioned that some automotive weakness might be contributing to some forward near-term growth, but I thought automotive was more kind of on the long-term spectrum, and that it wouldn't really kick in for a while. So is that more reflective of actual fewer shipments near term? Or is it more just customers' kind of swallowing their development process?

Gene Sheridan

Yeah. No, great question, Jack. And it's definitely – today, we're only shipping silicon carbides into EV, so we have ongoing production there. And with the slower growth rates recognized in the overall industry that's created some pockets of inventory, some slowdown in the production pull through from customers.

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With that said, we haven't seen any delays in new programs. We announced the joint labs with SHINRY and Geely. Those guys are shipping into major OEMs like Hyundai, BYD, Volvo, Honda. Those programs are all tracking for 2025 ramp. We're also still on track for GaN to go into EVs for the first time in the second half of 2025. So we don't see much slowdown at all in the overall pipeline. It's actually growing probably the biggest. We highlighted 50% growth, so from $400 million to $600 million. We don't see slowdown of the programs. But we certainly feel some slowdown in the short-term just on the production shift through.

Jack Egan

Got it. Okay. And then just sticking on the automotive side, this quarter and last quarter, you've heard quite a few companies in the automotive supply chain, at least on the semiconductor side, they've talked about sentiment kind of shipping away from fully electric vehicles and a bit more towards hybrids. And so, I understand that that long-term that would probably be a negative development for silicon carbide, since I don't think you really need or really can use silicon carbide in the traction of a hybrid. But for some of the smaller, lower power slots like the DC-DC converter, is there still an opportunity for GaN or SiC for hybrids?

Gene Sheridan

Yeah, that's right. We've observed the same trend. While there's a bit of a slowdown on battery EV in the near-term, we've seen plug-in hybrid pick-up, commercial EV still going strong and I mentioned those in my remarks. The content is pretty solid. Battery EV can be up to $400, $500 of GaN or silicon carbide and wide bandgap content. But the plug-in hybrids can also depending on the configuration, they can be $200 to $300, albeit smaller, it's very significant and we've got a number of nice projects in the pipeline that we added.

Jack Egan

Got it. That's helpful. Thanks, guys.

Gene Sheridan

Thanks, Jack.

Operator

Your next question comes from the line of Quinn Bolton with Needham. Please go ahead.

Nicholas Dillon

Hi. This is Nick Dillon for Quinn Bolton. Thanks for taking my questions. Can you talk more about your Appliance segment? Any details on the performance and better than the quarter and guide? Are you still on track to hit the $10 million per year run rate exiting the year?

Gene Sheridan

Yeah, good question. Thanks for focusing on that. Appliance is maybe not as sort of exciting or set [ph] as some of the other segments, but really promising progress. I highlighted four major wins just in the last quarter, one of which includes that leading European hair care product that's still on track at the end of the year and that's expected to be $10 million a year as it ramps starting this year and throughout next year.

But we also added the dishwasher, a leading dishwasher name. These guys don't want us to release the name yet, we'll release them as soon as we can, but you can probably guess at some of these. And two really top pump and motor leaders in Europe, not surprisingly Europe tends to be leading in high energy efficiency home appliances. So that business actually is pretty stable, we didn't highlight it too much in the short-term, but we did say going into Q2 is pretty stable.

And then, I think, we're going to see a nice growth towards the end of the year and definitely next year. That pipeline by the way was $360 million in December and has grown since then. So we're pretty bullish on home appliance and industrial markets.

Nicholas Dillon

Thanks. And for my follow-up, gross margin guide come in just a little bit weaker, is that entirely driven by mix, driven by the mobile being a little bit better like you talked about in the comments?

Janet Chou

Thank you for your question. You're absolutely right, our gross margins heavily dependent on mix. We see very strong momentum going on in the mobile space. But higher mix in mobile actually is margin diluted. We do anticipate margin expansion once we see growth in higher margin markets like EV, industrial and data center.

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Nicholas Dillon

Thanks.

Operator

Your next question comes from the line of [Richard Gold with Gold Tactical.] [ph] Please go ahead.

Unidentified Analyst

Hi. I just wanted to drill into the customer pipeline a little bit more. If I recall about a year ago, I think that pipeline was a few $100 million, and then into the summer it got up to, I think, $760 million, and then by your December 12th investor meeting in Torrance, California, it was $1.2 billion. I think last quarter you said it was north of that, and now at $1.6 billion, it's really pretty remarkable. I was wondering if you could give a little bit of detail of how you scrub that and if you have any sense of what the conversion is ultimately into revenues.

Gene Sheridan

Yeah, good question. Thanks, Richard, for bringing it up. So, first of all, on definition, pipeline has a few important criteria. One is that it's a valid committed production program. There's a lot of R&D going on out there, especially on gallium nitride and silicon carbide. So we always scrub it to make sure it's really a valid committed program. Number two, we see a good technical fit for what they require for GaN or silicon carbide or for our products to make sure the technical fit is there.

And then third is the value prop and a strong opportunity and motivation from the customer to use the product. It's not confirmed design wins, it's not a contract. But we consider those to be qualified opportunities. And we track on qualified ones, but we don't report them in the $1.6 billion. They have to meet that. And then within that $1.6 billion of qualified opportunities, we're tracking them by stage as they go through evaluation, system design, design validation, preproduction, and then into production.

In terms of conversion, it's a little too early to call. I think on mobile, where we've seen mobile, our conversion rates have been pretty high, 30% or higher, sometimes 40%. On the other markets, which are really just forming, some of those take 2 years to come to market, or 18 months or 36 months, we're still seeing that roll out. So we'll be able to judge conversion rates a lot better on data center, solar and EV later this year and into next year.

Unidentified Analyst

And then, when you – of the $1.6 billion, I guess you put that $1.6 billion in different buckets. One bucket would be purchase orders and production. And then it goes from there all the way to perhaps just some new program that's just kind of been talked about, but you haven't really – no, I guess if it's committed, it'd have to be committed to be part of the qualified, right?

Gene Sheridan

No, qualified as to meet [ph] the criteria set. So it's a committed production program, not committed to us, but the customer is committed to going to production. We have a good technical fit. We have a strong value prop and high interest to use our product. But let me clarify too, it's a development pipeline. So once the products go to production, we actually remove them from the pipeline. So it's from the first qualification stage, committed production with high interest in technical fit to our product through to preproduction. Once it goes to production, we then count that in our production forecast. So for that number to grow, the number of additional programs going into the pipeline needs to exceed those products that are going from the pipeline into production.

Unidentified Analyst

Okay. Yeah, that's remarkable. Thanks so much.

Gene Sheridan

One other clarification too, Richard, it's a lifetime estimate. So that's not an annual revenue. The lifetime of these programs were trying to be super conservative. Some could in theory last 5 or 10 years, but we don't want to be too optimistic. So we generally assume about a 3- or 4-year lifetime for the more industrial markets, and mobile consumer we assume they run for about one year. So you have to factor in the lifetime of the product when you're thinking about how that might translate into our revenue in future periods.

Unidentified Analyst

Great. It's great. Thank you.

Gene Sheridan

You bet. Thanks, Richard.

Operator

Your next question comes from the line of Richard Shannon with Craig-Hallum. Please go ahead.

Richard Shannon

Hi, guys. Thanks for taking my question as well. Maybe I'll focus on one of the markets that's doing relatively better right now being in the mobile space here. I think a couple of quarters ago, or maybe it was more than two, you talked about a couple of your charger customers committing to like 30% usage of GaN here with higher levels of power. Your conversations you're having with both aftermarket guys and I guess, more importantly, on the OEM side here, what do you think in terms of commitment to ramp with the higher 65-watt and above? I mean, I can tell you from my perspective having multiple Navitas gifted chargers in my possession looking at one of them right here, I mean the value proposition is so high, it seems like it would be a fairly fast conversion. So what do you get in a sense in terms of those conversations and what's their pushback or delay in committing to something like that?

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Gene Sheridan

Yeah. No, those are great observations and thanks for appreciating the chargers as everybody usually does. But you're right, well, right, 30-watts and below is relatively slow charging. GaN doesn't bring that much of a value prop. It's already a pretty small case. You get into 50, 60 watts. That's pretty fast charging for a laptop and really fast for a smartphone. You get to 100 watts, now you can charge multiple devices superfast. So as you go up in power that leads you right into the sweet spot of organic seed technology, while also increasing the GaN content from one chip to two chips or in many cases our GaNSense half-bridge, which is one of our most advanced products and one of the things I highlighted.

So we continue to see the trends of faster and faster charging. I think it's an obvious and compelling thing. Consumers don't change overnight, but Xiaomi and Oppo are great examples. The Chinese tend to be early adopters and have been the most aggressive. Most of those products I mentioned about the Mi 14 Ultra, the CIVI 4 Pro, these are all 100-watt and up, really powerful products, superfast charging. We're seeing those same trends out of the other mobile leaders in the different regions, albeit at a bit slower pace. But I think what you're seeing from China is what you're going to see from the others. A lot of it actually comes down to battery technology.

The battery technology needs to safely accept in your phone 30 watts, or 65 watts, or 100 watts. So it's not as simple as just switching from a 30-watt charger to a 100-watt. You do need to advance that battery technology. The Chinese and others are certainly proving that you can safely accept 100 watts or more, and that's zero to 100% charge in under 15 minutes. So they're setting the example. I think it's just a matter of time. You'll see that same trend. I'm already seeing it with Samsung is now up to 45 watts in their fast charger, for example, using our GaN technology. So those trends are solid and they're coming, and that's going to lead them right into our GaN IC strength.

Richard Shannon

Okay. I guess I didn't realize about the batteries, so thanks for that detail, Gene. My second question is, just kind of the general competitive dynamics in both the material systems here. We've seen some more suppliers getting into the GaN space and increasing capacity, looking to be more aggressive. And then in the silicon carbide space, we've obviously seen a slowdown here. And so I just want to get any sense of any changing, competitive dynamics, pricing, et cetera, that you've seen here in the last 6 months in either of those materials.

Gene Sheridan

Yeah, as much as if you take GaN, as much as there are various startups that pop-up, I have to admit it, doesn't feel like it's changed too much. It's primarily Navitas. We see Infineon and Infineon GaN systems. We see power integrations. We see Innoscience on the low end. And it trails off pretty quickly from there. So we haven't seen any change to ASP degradation or anything sort of unusual there. So surprisingly not much of a change in the competitive landscape. Silicon carbide, you still have the big players, of course, the IDMs, as you might call them. We're a small single-digit market share player with a lot of upside. Just 1% or 2% market share gains for us can really matter.

Last year things were really tight. So there's almost no ASP degradation. This year, I'd say supply and demand with the softening of demand and some increase in supply. I'd say we now have sort of normal ASP degradation. But our focus tends to not be on, obviously, we're not a price leader. We're not going part to part. We're very focused on system value. In many cases, we're designing the system or co-designing the system for the customer, with the customer, especially in the data center space and the EV space.

Richard Shannon

Okay. Great. Thanks, Gene.

Gene Sheridan

Yeah. Thanks, Richard.

Operator

[Operator Instructions] And your next question comes from the line of Jon Tanwanteng with CJS Securities. Please go ahead.

Charles Strauzer

Hi. Just one quick follow-up. Can you provide us an update on cash burn, when you think you might achieve breakeven? Thanks.

Janet Chou

We think we can achieve operating margin level breakeven, when revenue reaches $50 million to $55 million. In addition to driving profitable growth as the new CFO on board, I'm sharply focused on driving working capital efficiency and improve process and systems. We remain very confident with our long-term target financial model, which we laid out on Investor Day.

Charles Strauzer

Great. Thank you.

Janet Chou

Thank you.

Operator

We have no further questions at this time. This concludes today's conference. Thank you for participating. You may now disconnect. For further comments or questions, please e-mail ir@navitassemi.com

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