Impinj Fourth-Quarter 2025 Earnings Conference Call
Thursday, February 5, 2026
5:00 p.m. ET / 2:00 p.m. PT

Andy Cobb, Impinj VP Corporate Finance and IR

Thank you, Nick.

Good afternoon and thank you all for joining us to discuss Impinj's fourth-quarter and full-year 2025 results. On today's call, Chris Diorio, Impinj's co-founder and CEO, will provide a brief overview of our market opportunity and performance. Cary Baker, Impinj's CFO, will follow with a detailed review of our fourth-quarter and full-year 2025 financial results and first-quarter 2026 outlook. We will then open the call for questions. You can find management's prepared remarks, plus trended financial data, on the investor-relations section of the company's website.

We will make statements in this call about financial performance and future expectations that are based on our outlook as of today. Any such statements are forward-looking under the Private Securities Litigation Reform Act of 1995. Whereas we believe we have a reasonable basis for making these forward-looking statements, our actual results could differ materially because any such statements are subject to risks and uncertainties. We describe these risks and uncertainties in the annual and quarterly reports we file with the SEC. We do not undertake, and expressly disclaim, any obligation to update or alter our forward-looking statements except as required by law.

On today's call, all financial metrics except for revenue, or where we explicitly state otherwise, are non-GAAP. All balance-sheet and cash-flow metrics except for free cash flow are GAAP. Please refer to our earnings release for a reconciliation of non-GAAP financial metrics to the most comparable GAAP metrics.

Before turning to our results and outlook, note that we will participate in the Barclays 43rd Annual Industrial Select Conference on February 17th in Miami, Susquehanna's Fifteenth Annual Technology Conference on February 26th in New York and the 2026 Cantor Global Technology and Industrial Growth Conference on March 11th in New York. We look forward to connecting with many of you at those events.

I will now turn the call over to Chris.

Chris Diorio, Impinj Co-Founder and Chief Executive Officer

Thank you, Andy. And thank you all for joining the call.

2025 was a tough year for our industry. Tariffs and tariff-related supply-chain whipsaws, inventory reductions at every layer of our retail markets, a downward trend in apparel imports and protracted general merchandise adoption all weighed heavily on the RAIN market. It was also a transition year for us. We grew year-over-year endpoint IC volumes by 9%, believe we gained endpoint IC market share, made M800 our volume runner, launched Gen2X and proved it to be a must-have for solutions success, drove Gen2X-enabled solutions at multiple lighthouse accounts, helped plant the seeds for accelerating food adoption and exited the year with record adjusted EBITDA and cash. I am very pleased with how our team rose to meet the challenge.

Looking into 2026 we see, in the first quarter, a confluence of order timing, ongoing retailer inventory burndown, product transitions and a super-seasonal systems decline due to project timing driving revenue lower. Looking just a bit further out, we see conditions improving as endpoint IC volumes rebound, and growth returning as our investments in seeding new opportunities and our solutions focus pay off.

Starting with first-quarter endpoint ICs, like last year our second large North American supply-chain and logistics end user significantly shifted their label-supplier allocations. Partners that anticipated share gains ordered ahead in the fourth quarter, whereas those with share losses are reducing inventory in the first. Additionally, we are quickly pivoting to a custom-built endpoint IC for that end user, which I'll describe shortly, causing a further, temporary dip in endpoint IC orders as partners reduce prior-product inventory while we ramp volumes of the new IC. Second, we see apparel retailers reducing stock and underbuying demand, impacting our first-quarter outlook. And finally, food volumes remain modest in the first quarter.

Turning to our expectations as we exit the first quarter, I'll start with that custom endpoint IC. Think of it as an ASIC developed with the end user, tightly linked to their and our platforms, with added features like label authentication that solve key business needs while also eliminating unneeded features. They plan to fully switch to it this year. The IC also opens new opportunities for them to unlock and for us to participate in new, outward-facing customer accounts. Second, we see endpoint IC demand for apparel normalizing as soon as second quarter. Third, we see general merchandise growing as existing categories add SKUs and new categories get added. Fourth, we see food rollouts expanding to more stores. And finally, we see our solutions efforts opening major new account opportunities.

To speed our pivot to solutions, we recently added Chris Hundley as an executive vice-president for enterprise solutions. Chris adds significant software and solutions talent to our team. We are also doubling down on Gen2X as a solutions enabler, added EM Microelectronic as a Gen2X licensee and are forging close Gen2X partnerships with leading ecosystem players. We not only see Gen2X increasing the performance and feature gap between M800 and its competition, but also see it as an essential toolkit for enterprise solutions. And we have a growing pipeline of solutions opportunities. We expect our solutions efforts to drive endpoint IC volumes and share, reader and reader IC revenue growth and, with time, meaningful software revenue. And, perhaps most importantly, a selling model that focuses on solution value rather than individual components.

Of course, even as we pursue solutions we remain keenly focused on our current products. In retail apparel, multiple new end users are talking openly about RAIN adoption. We are pursuing wins with them as well as further share shifts with existing retailers. In general merchandise, we see 2026 as the year that unlocks key new logos in current use cases, adds significant new ones, and drives IC volume growth. On the competitive front, we see Gen2X driving additional opportunities to us. In food, we see a ramp through 2026, led by bakery with proteins to follow. And although food volumes remain modest, the opportunity is staggeringly large and we intend to lead and win it.

Overall, we see industry endpoint IC volumes rebounding from an uninspiring 2025 as these growth vectors layer on, with our leading market share driving an outsized portion of those volumes to us. We see our solutions revenue expanding, notably as our lighthouse end users outperform their peers and pull us into opportunities. And, in all, we expect our focus on hitting solution price points where the ROI pencils out for the end user to pay off handsomely.

Before I turn the call over to Cary for our financial review and first-quarter outlook, I'd like to again thank every member of the Impinj team for your constant effort driving our bold vision. As always, I feel honored by my incredible good fortune to work with you. Cary.

Cary Baker, Impinj Chief Financial Officer

Thank you Chris, and good afternoon everyone.

Fourth-quarter revenue was $92.8 million, down 3% sequentially compared with $96.1 million in third-quarter 2025 and up 1% year-over-year from $91.6 million in fourth-quarter 2024. 2025 revenue was $361.1 million, down 1% year-over-year compared with $366.1 million in 2024.

Fourth-quarter endpoint IC revenue was $75.2 million, down 5% sequentially compared with $78.8 million in third-quarter 2025 and up 2% year-over-year from $74.1 million in fourth-quarter 2024. Endpoint IC revenue slightly exceeded our expectations, driven by turns orders. M800 was the volume runner, with unit volumes increasing sequentially. 2025 Endpoint IC revenue declined 2% year-over-year, driven by the factors Chris already noted. Looking to first quarter, we expect endpoint IC revenue to decline sequentially at a high-teens percentage rate, driven primarily by supply chain and logistics channel inventory reductions, retail weakness and, to a lesser extent, by annual endpoint IC price reductions.

Fourth-quarter systems revenue was $17.7 million, up 2% sequentially compared with $17.3 million in third-quarter 2025 and up 1% year-over-year from $17.5 million in fourth-quarter 2024. Systems revenue exceeded our expectations, driven by NRE revenue, while reader and gateway revenue and reader IC revenue declined as anticipated. 2025 Systems revenue grew 2% year-over-year, with reader and gateway growth more than offsetting declines in both reader ICs and test and measurement solutions. Looking to first quarter, we expect systems revenue to decline more than seasonally, primarily due to project timing at our enterprise customers.

Fourth-quarter gross margin was 54.5%, compared with 53.0% in third-quarter 2025 and 53.1% in fourth-quarter 2024. The year-over-year increase was driven by higher endpoint IC direct margins, specifically from a richer mix of M800. The quarter-over-quarter increase was driven primarily by higher systems direct margins, specifically higher NRE revenue, and to a lesser extent by higher endpoint IC direct margins. 2025 gross margin was 55.3%, compared with 54.0% in 2024, with the increase due primarily to a richer mix of M800 endpoint ICs. Looking to first quarter, we expect gross margin to decline sequentially, driven primarily by lower revenue on fixed costs and annual endpoint IC price reductions.

Total fourth-quarter operating expense was $34.2 million, compared with $31.8 million in third-quarter 2025 and $33.6 million in fourth-quarter 2024. Research and development expense was $18.6 million. Sales and marketing expense was $8.2 million. General and administrative expense was $7.4 million. 2025 operating expense totaled $130.1 million, compared with $131.9 million in 2024. We expect total first-quarter 2025 operating expense to increase sequentially, driven primarily by normal seasonal factors.

Fourth quarter adjusted EBITDA was $16.4 million, compared with $19.1 million in third-quarter 2025 and $15.0 million in fourth-quarter 2024. Fourth-quarter adjusted EBITDA margin was 17.7%. 2025 adjusted EBITDA was a record $69.6 million, compared with $65.9 million in 2024. 2025 adjusted EBITDA margin was a record 19.3%, in line with the long-term model we shared at our 2023 Investor Day.

Fourth-quarter GAAP net loss was $1.1 million. Fourth-quarter non-GAAP net income was $15.6 million, or 50¢ per share on a fully diluted basis. 2025 GAAP net loss was $10.8 million. 2025 non-GAAP net income was $64.2 million, or $2.11 per share on a fully diluted basis.

Turning to the balance sheet, we ended the fourth quarter with record cash, cash equivalents and investments of $279.1 million, compared with $265.1 million in third-quarter 2025 and $239.6 million in fourth-quarter 2024. Inventory totaled $85.0 million, down $7.7 million from the prior quarter.

Fourth-quarter capital expenditures totaled $1.5 million. Free cash flow was $13.6 million. 2025 capital expenditures totaled $12.9 million. Free cash flow was $45.9 million.

Turning to our outlook, we expect first-quarter revenue between $71.0 and $74.0 million, compared with $74.3 million in first-quarter 2025, a year-over-year decrease of 2% at the midpoint. We expect adjusted EBITDA between $1.2 and $2.7 million. On the bottom line, we expect non-GAAP net income between $2.5 and $4.0 million, reflecting non-GAAP fully diluted earnings-per-share between 8¢ and 13¢.

In closing, I want to thank the Impinj team, our customers, our suppliers and you, our investors, for your ongoing support. I will now turn the call to the operator to open the question-and-answer session. Nick.