

07-May-2026

Aspen Aerogels, Inc. (ASPN)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. Thank you for attending the Aspen Aerogels, Inc. First Quarter 2026 Financial Results Call. All lines will be muted during the presentation portion of the call and an opportunity for questions and answers at the end.

I would now like to turn the conference over to your host, Neal Baranosky, Aspen's Senior Director, Head of Investor Relations and Corporate Strategy. Thank you. You may proceed, Mr. Baranosky.

Neal Baranosky

Senior Director, Head-Investor Relations & Corporate Strategy, Aspen Aerogels, Inc.

Thank you, Gail. Good morning, and thank you for joining us for the Aspen Aerogels first quarter 2026 financial results conference call. With us today are Don Young, President and CEO; and Grant Thoele, Chief Financial Officer and Treasurer.

The press release announcing Aspen's financial results and business developments and the slide deck that will accompany our conversation today are available in the Investors section of Aspen's website, www.aerogel.com. During this call, we will refer to non-GAAP financial measures, including adjusted EBITDA and adjusted net income. The reconciliation between GAAP and non-GAAP measures are included in the back of the slide presentation and earnings release.

On today's call, management will make forward-looking statements about our expectations. These statements are subject to risks and uncertainties that could cause our actual results to differ materially. These risks and uncertainties include the factors identified in our filings with the SEC. Please review the disclaimer statements on page 1 of the slide deck as the content of our call will be governed by this language.

I'd also like to note that from time to time, in connection with the vesting of restricted stock units and/or stock options issued under our long-term equity incentive program, we expect that our Section 16 officers will file Forms 4 to report the sale and/or withholding of shares in order to cover the payment of taxes and/or the exercise price of options.

I'll now turn the call over to Don. Don?

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

Thanks, Neal. Good morning, everyone. Thank you for joining us for our Q1 2026 earnings call. My comments will cover an April event in our manufacturing facility in East Providence, our growth outlook for the energy industrial segment, the evolving demand environment for electric vehicles, and our progress in developing a battery energy storage systems segment. I will also provide an update on our strategic review process. Grant will amplify these points with his comments.

On April 8, we experienced an operational disruption in our aerogel manufacturing facility in East Providence. The incident involved an explosion in a high temperature oven and resulted in plant damage confined to that specific area of the facility and the temporary cessation of operations. We are immensely grateful that no employees were seriously injured in the incident and want to recognize the Aspen team for their tireless work towards a safe and disciplined restart of the facility.

We currently expect a staged restart of operations to begin in May, subject to continued progress in our mechanical, operational and safety reviews, as well as ongoing coordination with local and state agencies. To-date, we have mitigated any significant commercial impact of the disruption by working through inventory and by leveraging the capacity of our external manufacturing facility. It will take time to restore full capability to the EP plant, a task that will receive our full attention once we complete the restart phase.

We are also closely – we are also working closely with our external manufacturing facility to enhance its capabilities to support our energy industrial and thermal barrier segments and to enhance short- and long-term supply flexibility, all of which is intended to strengthen our operational resilience and commitment to customers.

Turning to our energy industrial segment. Even with a messy start to the year due to the EP disruption and delivery delays in the Middle East, we still have our sights set on 20% revenue growth for the year. We believe we will gain considerable momentum in the second half of the year, leading to further growth in 2027 and 2028. With energy security and supply diversification paramount and structurally higher energy prices projected, our customer base is gearing with urgency for a multi-year investment cycle in global energy infrastructure from which we expect to benefit.

These dynamics are translating into three clear growth drivers for our business. First, subsea. We continue to build a strong pipeline of opportunities that extend through the decade. We were recently awarded a second subsea project deliverable in Q3 and with the win announced earlier this year, positions us in 2026 to be within our historical annual revenue range of \$10 million to \$20 million.

Second, LNG and natural gas infrastructure. LNG has become one of the clearest and most dynamic growth lanes for us. We are seeing positive developments in the United States and in the Middle East with large-scale LNG infrastructure activity moving from market interest into executable commercial opportunities. Our confidence is not based only on the LNG macro cycle but also based on our concrete engagement with project level execution. We are actively working with customers, EPC contractors and construction teams and believe we have the potential to increase our scope on several projects which would increase our 2026 opportunity and extend visibility into 2027. We believe this supports our expectation that LNG-related activity can approximately double in 2026 versus 2025 and provide continued momentum into 2027.

Third, maintenance and turnaround work remains an important deferred demand opportunity. Refiners have continued to prioritize uptime and operate at high utilization, which has compressed some maintenance windows. Over time, reliability requirements should bring that work back into scope, and we remain well-positioned to support customers as turnaround activity normalizes.

Taken together, we believe these drivers support our expectation of approximately 20% growth in energy industrial in 2026. We anticipate building momentum through the second half of the year and remain focused on scaling this segment into a \$200 million high margin business without the need for incremental capital investment.

Turning to our PyroThin thermal barrier business, the EV market in the United States remains in reset mode. Market share for EVs in the US appears to be settling at approximately 5% to 6%, roughly half the level of when incentives and regulation favored EV adoption. GM's monthly market share for EVs this year has averaged 14.1%, which would suggest a sales rate over 100,000 EVs in 2026. GM produced EVs in Q1 and in April at levels below current sales volume, resulting in lower finished vehicle inventory levels.

We anticipate GM will begin aligning production rates more closely with sales volumes consistent with its stated objective of operating in a demand-driven manner and adapting to current market conditions. GM has maintained its full line of EV nameplates and has stated that it remains dedicated to its long-term EV success, including in its Cadillac division, where EV sales represented 28% of total sales in 2025 and over 30% in Q1 2026.

We see a different dynamic in Europe, where battery electric vehicles now account for more than 20% of new vehicle registrations and where stronger structural drivers are supporting the early stages of production ramp up among the OEMs with whom we have design awards. Our EU thermal barrier revenue in Q1 increased more than three-fold versus the prior quarter – prior year quarter, and we believe this momentum could translate into 2026 revenue in the range of \$10 million to \$15 million. Across these European awards, we are supporting programs that incorporate battery cells from a diversified global supply base, including European, Korean, Japanese and leading Chinese manufacturers. We are encouraged by our momentum in Europe and again believe the region will be an important contributor to our revenue in 2027 and beyond.

Looking beyond our current segments, we are also advancing new growth opportunities. In battery energy storage systems, we are actively engaged in multiple qualifications and commercial discussions with developers serving grid infrastructure, data centers and other high reliability applications, as system architectures evolve toward higher energy density, the thermal challenges increasingly resemble those we have already solved in EV platforms. With proven performance and domestic manufacturing capability, we believe we are well-positioned to enter this market and generate initial revenue in 2026.

Following a period of market change and internal restructuring, we initiated a strategic review in Q4 last year. Our goal was to execute a disciplined evaluation of our strategic options to ensure our growth strategy and capital allocation priorities were aligned with maximizing long-term shareholder value. The process allowed us to open the aperture to compare our existing opportunities to a wider array of strategic alignments and capital structures. While optimizing strategy is an ongoing endeavor for all good companies, we are confident that our current approach scaling energy industrial, driving new growth and diversification for PyroThin thermal barriers, expanding into adjacent markets, and continuing targeted R&D to create breakthrough opportunities represents the best path to deploy our financial strength and deliver long-term value for our shareholders.

Grant, over to you.

Grant Thoele

Chief Financial Officer & Treasurer, Aspen Aerogels, Inc.

Thanks, Don. And good morning, everyone. I'll cover our first quarter 2026 results and Q2 outlook along with drivers for the remainder of the year. As we signaled on our last earnings call, Q1 2026 was projected to be the lowest revenue quarter of the year. And we remain confident that it will be. We also anticipated sequential revenue growth each quarter through 2026, which we continue to track towards as expected. First quarter

revenue was \$37.9 million, including \$21.6 million from energy industrial and \$16.3 million from thermal barrier. Total revenues declined 8% quarter-over-quarter. Energy industrial revenues came in below expectations, declining 15% quarter-over-quarter. Customer demand was constrained by ancillary impacts from the conflict in Iran, creating logistics and inventory challenges. Our supply chain and commercial teams have taken targeted steps to mitigate further disruption.

On the positive side, we have secured two project awards in Q1, both expected to contribute revenue this year. Thermal barrier revenues were in line with expectations and flat quarter-over-quarter, although we did see softer GM production volumes as they continued to destock inventory. Encouragingly, GM's market share grew during the quarter, a positive commercial signal. In Q1, we received \$37.6 million in claim proceeds from GM. The GAAP treatment of the claim is informed by ASC 606. This payment is recognized as revenue ratably through the end of 2027, with \$3.5 million booked as revenue for Q1 and approximately \$4.9 million revenue per quarter thereafter.

Gross profit of \$4.3 million or 11% gross margin reflected the impact of lower production volumes being unable to fully cover fixed manufacturing costs. Gross margin at the segment level was 15% for energy industrial and 6% for thermal barrier. Adjusted operating expenses, excluding impairments, restructuring charges and other one-time items remain relatively flat from \$21 million in Q4 2025 to \$21.2 million in Q1 2026. Q1 results included a few one-time items, a \$2.2 million property tax charge related to Plant II and approximately \$1 million of charges related to non-recurring professional services. GAAP net loss was negative \$23.7 million in Q1 versus negative \$72.9 million last quarter. And adjusted EBITDA was negative \$12.7 million in Q1 versus negative \$18 million last quarter, representing a 29% improvement despite slightly lower revenues.

Moving to liquidity, we generated \$17 million of cash in Q1 and ended the quarter with \$175.6 million in cash and cash equivalents versus \$158.6 million at the end of 2025. The increase in cash was driven by the receipt of \$37.6 million GM claim proceeds, along with a working capital benefit of \$8 million, while CapEx of \$1 million and debt payments of \$15.6 million represented the primary uses of cash aside from Q1's operating loss.

Debt payments in Q1 were driven by \$6.5 million in principal amortization connected to the term loan and a \$7.6 million reduction in the revolving credit facility. Our term loan balance at the end of Q1 was \$86 million. Our sole financial covenant under the MidCap facility requires us to maintain cash equal to at least 100% of the term loan balance with \$175.6 million of cash against an \$86 million term loan, we have substantial covenant headroom.

Turning to slide 6, for the second quarter of 2026, we expect increased revenue and profitability relative to Q1, with total revenue expected to be between \$40 million and \$48 million. This range represents between 5% to 28% growth quarter-over-quarter. Our Q2 guidance assumes GM production at an annualized rate of approximately 55,000 to 65,000 vehicles in the quarter, an increase versus Q1, where GM sourced the equivalent of 43,000 vehicles annualized. The current IHS forecast has GM producing nearly 100,000 vehicles for 2026, which points to more production weighted to the second half of the year. Given the product mix included in our range, we expect adjusted EBITDA to be between negative \$10 million and negative \$4 million for the second quarter. This profitability range is dependent on supply mitigation efforts, so all the variability resides above the gross profit line.

A few items worth noting here, mainly around production and supply. The incident at EP is creating near-term cost pressure. Our teams are doing an exceptional job managing supply continuity, but expedited freight, expedited repair costs and inventory build across both EP and EMF will all result in [indiscernible] (00:17:54) costs in Q2 and potentially Q3. Elevated costs in this circumstance are difficult to estimate as production evolves by product, location and customer, particularly as we balance safely restarting EP. Protecting supply and meeting customer expectations is our clear focus during this time.

As a reminder, our restructuring actions were designed to achieve EBITDA breakeven at \$50 million of quarterly revenue. Our Q2 guide reflects progress toward that target and we expect to reach it in the second half of the year, assuming success of our ongoing production and supply mitigation efforts. All estimates reflected in our guidance assumes that the staged restart of our East Providence plant proceeds as we currently expect.

Turning to our liquidity outlook. Let's start with what we [ph] can control (00:18:54). CapEx and scheduled debt payments should total less than \$12 million in Q2. Alternatively, working capital will be more variable depending on where we produce inventory and ultimately sell finished goods. Additionally, we will build the higher inventory targets for safety stock at quarter-end, depending on the pace at which EP comes back online. We will continue to be prudent with cash during this period but want to strive for the high end of our Q2 revenue range. As a result, we could see total cash outflows of \$20 million to \$30 million for Q2, which includes \$12 million of CapEx and scheduled debt payments.

Again, highly dependent on our ongoing production and supply mitigation efforts. With Q1 as our base, we anticipate sequential revenue growth through 2026, supported by three primary drivers. First, GM production continues to recover as inventory levels normalize and destocking subsides. Second, the continued ramp of our European OEM programs, which we expect to contribute approximately \$10 million to \$15 million of revenue in 2026. We see activity picking up here. Third, we expect approximately 20% growth in energy industrial with a greater concentration of project activity in the second half. As volumes increase, while we continue to lower our cost structure, we expect improved operating leverage and margin expansion throughout the year.

Full year capital assumptions remain unchanged from the last earnings call. We continue to expect less than \$10 million of capital expenditures and approximately \$26 million of scheduled debt payments. Proceeds from the potential sale of Plant II assets are most likely a Q4 event rather than a Q3 and would be applied directly to reduce our term debt on a dollar-for-dollar basis. Combining these assumptions with our profitability expectations for the rest of the year, we anticipate ending the year with a strong net cash position.

As a result of restructuring, by reducing our fixed costs, we've built a financial framework that supports both resilience and growth. As evidenced by our progress reducing EBITDA breakeven levels from \$330 million revenue in 2024 to our \$200 million revenue target in 2026 and even further to our \$175 million revenue target by the end of 2027.

With ample levels of liquidity, we still see flexibility to further delever the business and we're evaluating a host of options while staying nimble to opportunistically invest in strategic growth initiatives. As we continue to navigate 2026, driving incremental profitability with new commercial activity and maintaining balance sheet strength remain top priorities.

Don, back to you.

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

Thanks, Grant. To close, while the first half of 2026 has been shaped by temporary disruptions and evolving market conditions, we believe the fundamentals of our business are solid. We see market signals – positive market signals across our energy industrial platform alongside growing diversification and new growth in thermal barriers. As we move through the year, we expect to build momentum and further strengthen our positioning for sustained growth into 2027 and beyond.

With that, we'll open the call to your questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Eric Stine of Craig-Hallum Capital. Your line is open.

Q

Hey, good morning. This is [ph] Luke (00:23:23) on for Eric. Thanks for taking our questions. So, I guess first just on the European demand for thermal barrier, just following the record quarter on that front. I mean do you think OEMs are looking to accelerate production in part just because of the volatility in energy markets? Could you just talk about what you're hearing from customers in the pipeline? And also, would you expect to be leaning on the EMF to meet that ramp just with everything going on in Rhode Island right now? Thanks.

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

A

Thank you. In terms of the ramp, I think it's a little too early to associate their active first quarter and the levels of activity that we're seeing here in 2026 with higher energy prices and switching from ICE vehicles to EV vehicles. I think more broadly though this has been building for some period of time. We've seen significant EV market share gains in Europe and the OEMs with whom we have won awards are beginning to benefit from that.

In terms of supply, we want to be sure that we have as much flexibility as we can and make sure we're capable of meeting expectations of our customers. So, everything that we can do to assure that we're going to do, and that that does include having capability in our East Providence facility and in our Chinese EMF supplier.

Q

Got it. Thanks for the color. So, I guess just for my follow-up, switching gears here to EI, I mean, you've talked about ultimately scaling that business to, let's say, a \$200 million annual business. Do you have line of sight into just some of the subsea analogy opportunities that could really make that a real possibility before the end of the decade? And just what are some of the factors that ultimately would get you there?

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

A

Yeah, I really think it's the three things that I touched on in my earlier statements and certainly subsea is one of them. If you think back as I cited our historic range for a long time, going back, I want to say to 2008 or so, has been in the range of between \$10 million and \$20 million. In 2023 and 2024, we had numbers that were closer to \$30 million. And in 2025, we had a very quiet year, a number less than \$5 million. So, we see a lot of activity going on. And it's not just the two awards that we've won to-date, but the roster of opportunities. I can't remember when it's been stronger, and again our value proposition and our record serving that market is outstanding. So, that is definitely one component. And then LNG, as I said again in my statements, we're not just looking at the LNG kind of macro cycle. Our teams are engaged with the owners, with the EPC contractors in the field, accelerating projects and expanding some of the opportunities that we have there.

So, that has a good opportunity. I have said that we have the opportunity to double the size of that business compared to 2025, both in number of projects and in dollars. And we are aiming to do that. And then the third area has been kind of a quiet area for us. It's our day in and day out maintenance work, turnaround work that we do in refineries and petrochemical plants around the world. These refineries have been running their plants pretty hard and they've had relatively narrow maintenance windows. And we know that reliability is critical to them. And that cycle will move and create opportunity for us in that nice baseload day in and day out revenue that we're accustomed to in that area. So, if you add those three things together, we believe that that \$200 million mark is a very realistic opportunity for us.

Q

Great. Thanks for all the extra detail there. I'll turn it over.

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

Thank you.

A

Operator: With no further questions, we have reached the end of the Q&A session. I will now pass the call back over to Don Young for remarks.

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

Thanks, Gail. We appreciate your interest in Aspen Aerogels and look forward to reporting to you our second quarter results in August. Be well. Have a good day. Thank you.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.

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