

Real Setup, Unproven Story: Our Framework Into Wednesday's Print.

NVE develops and manufactures spintronic sensors and isolators

from a single facility in Eden Prairie, Minnesota, with 42 employees. Sensors detect magnetic fields for position, rotation, and proximity, with the largest application being magnetic switches in implantable devices sold to **Abbott Laboratories (NYSE: ABT)**. Isolators pass digital signals across high voltage barriers in factory networks, power conversion, EV charging, and battery systems. Fiscal 2026 revenue was \$26.3M with a 79% gross margin, 60% operating margin, and a \$4.00 annual dividend. The company completed a two-year manufacturing expansion in fiscal Q4, adding in-house wafer-level chip-scale packaging, and expects capex to decline significantly in fiscal 2027.

Our caution comes from the revenue history. Fiscal 2017 revenue was \$28.3M and fiscal 2026 revenue was \$26.3M. Sales have oscillated between \$21M and \$38M for a decade around a flat center. The fiscal 2023 spike of 42% was channel stocking and fully retraced within two years. NVE reports a single segment, but the disclosed growth rates allow the split to be derived. We estimate defense product revenue fell to ~ \$1.7M in fiscal 2026 from approximately \$5.2M in fiscal 2025. A full recovery to the prior level would add roughly 13% to total revenue and would represent mean reversion, not new demand. The 10K filing attributes fiscal 2026 product growth primarily to price increases and purchases by existing customers rather than new sockets. The dividend of \$19.3M exceeded both net income of \$15.2M and operating cash flow of \$16.7M, which the company acknowledges in its own risk factors. At roughly 28x trailing earnings, the market is paying for growth the company has not yet demonstrated

We see four ways the company could break out of this range, listed in order of supporting evidence. **First**, the new packaging capability produces sensors measuring 0.65mm per side, one third the prior footprint, and the 10-K names next generation hearing aid and implantable sensors in development. These are sockets the old package could not physically enter. until evidence appears.

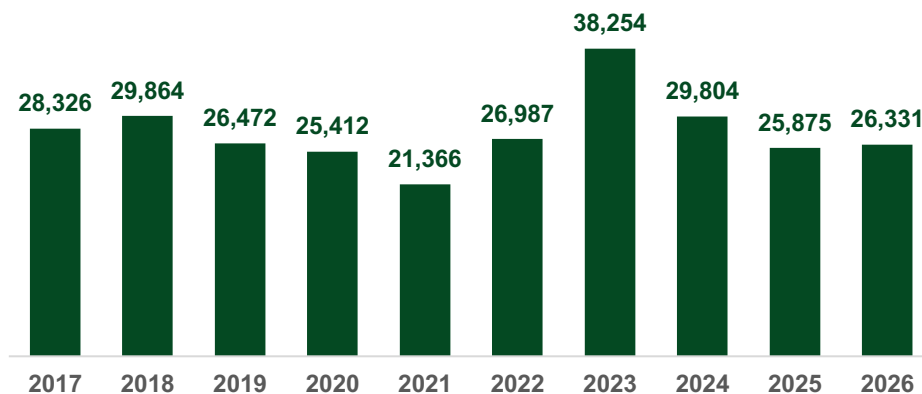
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Second, the AET series TMR encoder sensors target joint and end effector sensing in robotics. The product ships today but no revenue has been disclosed. **Third**, isolator content in battery storage, EV charging, and SiC power conversion grows with unit volumes in those markets and NVE holds a real spec advantage in transient immunity. **Fourth**, anti-tamper MRAM could convert from funded R&D into a product line. We assign no base case value to any of these until evidence appears.

Five questions for Wednesday. Does the defense increase reflect new programs or restocking on existing ones. Does the new packaging line receive any revenue attribution or named pipeline. Is nondefense growth attributed to new customers or again to price and existing customers. Does incoming CEO Peter Eames, in his first appearance since the succession announcement, signal any commercial investment given SG&A of \$1.7M supporting sales in 75 countries. Is there any change in capital return posture given a payout above cash flow.

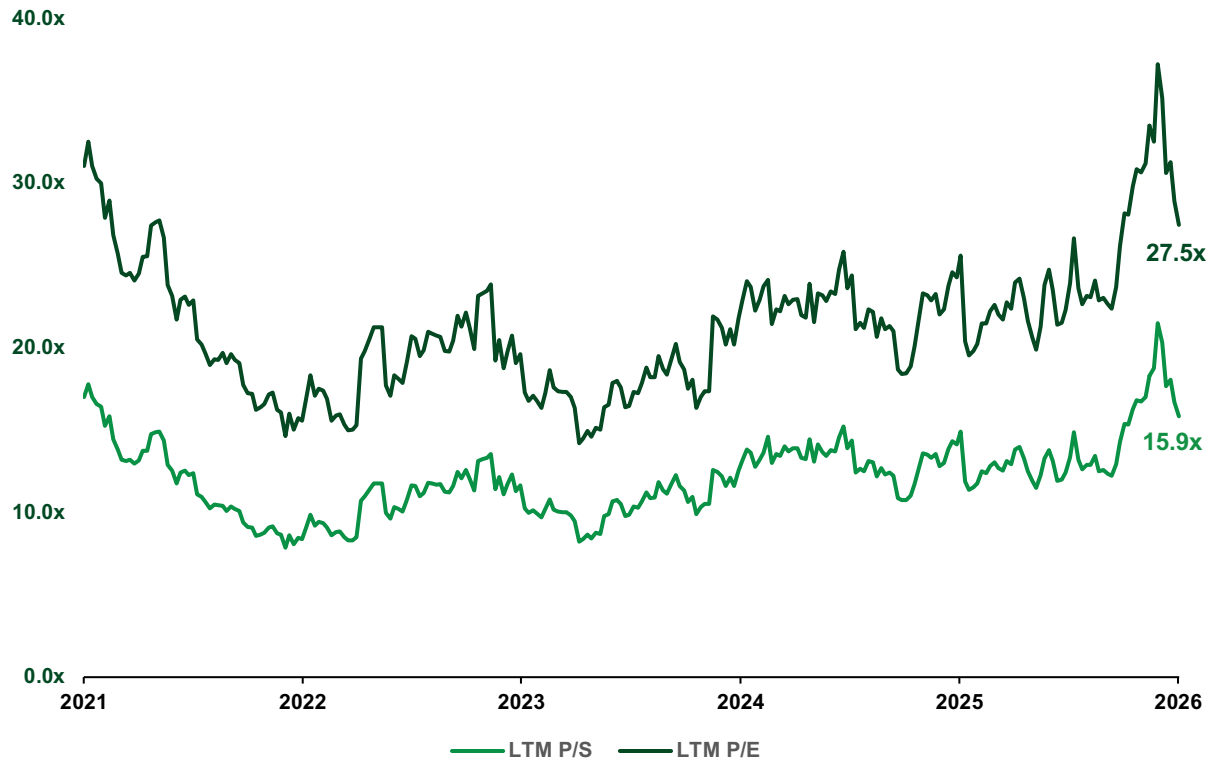
Fiscal 2027 growth counts toward a positive thesis only with new customer or new program evidence. Growth arriving through distributor sell-in and price will be treated as the fiscal 2023 pattern. We publish these tests now so our initiation can be graded against them.

Figure 1: NVEC Total Revenue (2017-2026)



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Figure 2: NVEC LTM P/E & P/S



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