

CPI Card Group Inc. NasdaqGM:PMTS

FQ2 2025 Earnings Call Transcripts

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S&P Global Market Intelligence Estimates

	-FQ2 2025-			-FQ3 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	0.50	0.04	▼ (92.00 %)	0.72	2.37	3.33
Revenue (mm)	132.96	129.75	▼ (2.41 %)	141.87	540.01	607.43

Currency: USD
Consensus as of Aug-04-2025 9:42 PM GMT

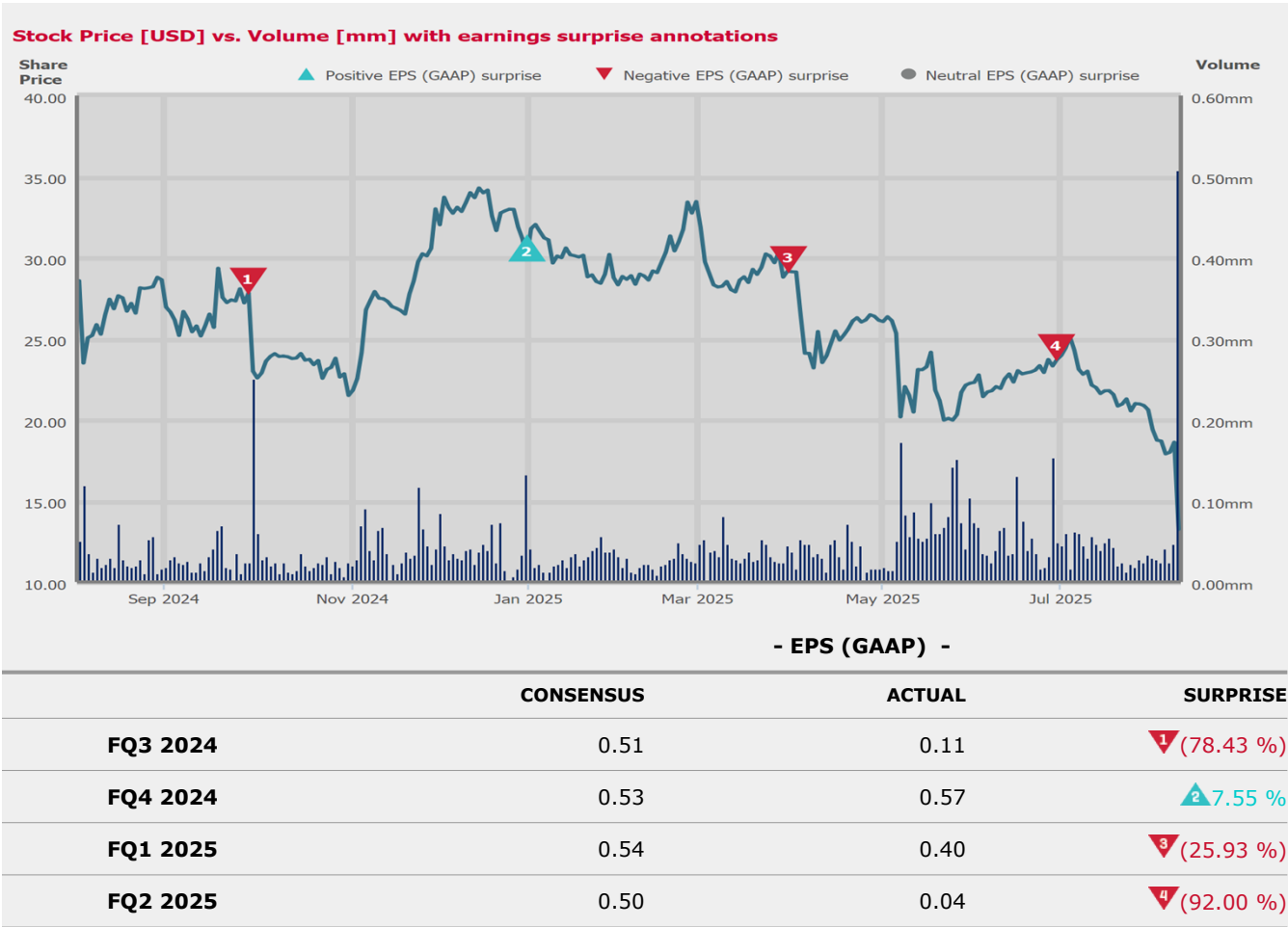


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Call Participants

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Presentation

Operator

Welcome to CPI Card Group Second Quarter 2025 Earnings Call. My name is Bailey, and I will be your operator today. [Operator Instructions]

Now I would like to turn the call over to Mike Salop, CPI's Head of Investor Relations.

Michael A. Salop

Head of Investor Relations

Thanks, operator. Welcome to the CPI Card Group Second Quarter 2025 Earnings Webcast and Conference Call. Today's date is August 8, 2025. And on the call today from CPI Card Group are John Lowe, President and Chief Executive Officer; and Jeff Hochstadt, Chief Financial Officer.

Before we begin, I'd like to remind everyone that this call may contain forward-looking statements as they are defined under the Private Securities Litigation Reform Act of 1995. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. For a discussion of such risks and uncertainties, please see CPI Card Group's most recent filings with the SEC.

All forward-looking statements made today reflect our current expectations only, and we undertake no obligation to update any statement to reflect the events that occur after this call. Also, during the course of today's call, the company will be discussing one or more non-GAAP financial measures, including, but not limited to, net sales growth, excluding the impact of an accounting change, EBITDA, adjusted EBITDA, adjusted EBITDA margin, net leverage ratio and free cash flow.

Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures are included in the press release and slide presentation we issued this morning. Copies of today's press release as well as the presentation that accompanies this conference call are accessible on CPI's Investor Relations website, investor.cpicardgroup.com. In addition, CPI's Form 10-Q for the second quarter will be available on CPI's Investor Relations website. On today's call, all growth rates refer to comparisons with the prior year period, unless otherwise noted.

The agenda for today's call can be found on Slide 3. John will give a brief overview of business performance and our strategy execution. Jeff will provide more details on the financial results and our 2025 outlook, and then we will open the call for questions.

We can start on Slide 4, and I'll turn the call over to John.

John D. Lowe

President, CEO & Director

Thanks, Mike, and good morning, everyone. Well, we had a good first half of sales growth as our strategies and investments are reaping benefits. Our customers are excited about our solutions. Our business continues to grow and win share and our Arroweye acquisition is performing better than our expectations.

Let me give you a few highlights from our first half sales performance. Note that what I will cover excludes the impact of a one-time noncash accounting change affecting revenue recognition timing, which Jeff will cover in a few minutes. Let's start with our Secure Card business, where we are a top payment card producer in the U.S. This business delivered volume and sales growth greater than 15% in the first half, and we have won new business, including metal card orders and realized strong performance from the key customer contracts signed early last year.

Card@Once, our market-leading Software-as-a-Service instant issuance digital solution, grew more than 20% in the first half and expanded to more than 17,000 locations with 2 consecutive record sales quarters

and ongoing momentum in a business that generates strong recurring revenue. Our market-leading open loop prepaid business has continued to grow with sales up 17% this year, excluding the impact of the accounting change, driven by greater value tamper evident packaging solutions and our diversification into health care payment offerings.

Our digital solutions, while still immaterial to overall sales, are growing and generated great customer interest, including customers outside of our typical debit and credit space. And the Arroweye acquisition, which was completed in early May, is off to a good start with nearly \$10 million of revenue contribution in less than 2 months, exceeding our expectations for sales and also beating our expectations for profitability.

Before we further review the quarter and outlook, let me take a few minutes to share more on our strategy execution on Slide 5. Our vision is to be the most trusted partner for innovative payment technology solutions. The strategic pillars that drive our actions are customer focus, quality and efficiency, innovation and diversification and people and culture. We strive to provide market-leading high-quality payment solutions and best-in-class customer service and seek to enhance growth through innovation and diversification.

This includes our focus on expanding our addressable markets by both increasing solution sets for existing customers and adapting existing solutions for new customer verticals. We have invested significantly over the last couple of years to drive market expansion opportunities and accelerated our investments in 2025.

So let's discuss our progress and expected benefits, starting with the Arroweye acquisition on Slide 6. After 3 months of owning the Arroweye business, I can say we are even more excited about the opportunity. Arroweye and CPI's businesses are very complementary. While CPI's bread and butter has historically been debit and credit payment cards for financial institutions, Arroweye provides a digitally driven all-in-one delivery process that has penetrated a much more diverse set of payment card users, primarily in the prepaid debit payment card market.

Arroweye serves prepaid program managers, payroll-related providers, health care-related providers, fintechs of all types as well as banks, credit unions and others. They participate in a variety of segments, including incentives, rebates, gift cards, prepaid, payroll, health care, government, insurance and fleet, among others, as well as debit and credit. We have very little customer overlap and received positive feedback on the combination from both customer bases thus far.

Arroweye becoming a part of CPI creates many opportunities as CPI now has access to a number of additional market segments. And CPI's financial backing allows Arroweye's existing customers to allocate more business to them with less risk. This year is focused on bringing our companies together, but we are anticipating many potential sales synergies and expansion opportunities from the acquisition going forward.

In addition to Arroweye, we expect several other investments to aid long-term growth and profitability as highlighted on Slide 7. As mentioned earlier, our Card@Once instant issuance solution is in strong demand and is delivering great results. We have been investing to expand the solution beyond the financial institution space and have now successfully launched into a nonfinancial institution vertical, specifically in the government disbursement space, providing the capability to issue on-site payment cards for social safety net programs.

This market is very similar to many of our others as it is sizable and recurring in nature, and we are continuing to invest in our go-to-market actions to grow in the government market and introduce into other customer verticals. We have also invested to provide prepaid packages for the U.S. closed-loop market, which offers significant opportunity where we have little presence today. As customer demand has developed for secure packaging solutions in this space, we are on track to deliver our first closed-loop deliveries in the fourth quarter, already having secured customer commitments.

As we are just getting started in this large and expanding market, we believe this will be a long-term contribution to growth and look forward to sharing more. And we have invested in expanding our health care payment card solutions with expanded offerings already driving incremental growth. This is also an

area where Arroweye performs well, and we believe between our combined solutions, we can continue to grow in this attractive and recurring market.

Our digital solutions continue to advance. As we have discussed in the past, new solutions for small- and medium-sized financial institutions take long periods of time to adapt, and we are experiencing that. However, we continue to sign new clients for our push provisioning digital issuance services and are seeing a growing pipeline of potential customers. To scale these higher-margin solutions, we will continue to invest in resources, technology and our go-to-market needs.

Our investments in metal card capabilities over the years have shown results as well as we have had a few sizable customer orders, which contributed to second quarter growth. With metal, we are providing solutions to meet demands for heavier cards that can be purchased at good value relative to other high-end metal offerings in the market. In addition to these market expansion initiatives, we have also been making significant investments in automation in Colorado, innovating our production workflow at our personalization facility in Tennessee and continuing to invest in our prepaid business in Minnesota as well as opening the new secure card facility in Indiana.

As we have discussed in the past, the Indiana facility will bring efficiencies from automation and optimal processes while adding capacity and new capabilities. Our new facility is now starting to operate with the peak of our transition occurring in the second half. As we open our doors, our customers are excited about the possibilities, and we have already begun working on additional business opportunities that will be made possible as we complete our transition to the state-of-the-art facility. While we see a bright road ahead with our strategic investments, this year has had its challenges. And while we are accomplishing that goal, we are experiencing negative cost impacts this year, such as unexpected tariffs, which we now anticipate being approximately \$5 million for 2025.

We're also incurring one-time costs and inefficiencies in our Secure Card business as the team is focused on the new facility as well as seeing margin pressures from sales mix. But with all that said, the performance we are delivering across many areas of our business, along with the Arroweye investment has allowed us to continue delivering growth in 2025. When netting the puts and takes, we have increased our sales outlook for the year, including Arroweye, while maintaining our adjusted EBITDA outlook even with the increased tariff impact.

As I'm sure you are aware, on Wednesday, the current administration announced proposed tariffs on chips. Our outlook does not reflect any potential impact as specific details of implementation timing and possible exemptions have not been announced. As a reminder, we have managed through many unexpected developments over the years. And through these events, we have managed to grow the business and increase share.

We are confident in our strategy and the opportunities ahead of us, and we look forward to sharing our progress with you. I will now turn the call over to Jeff to cover the second quarter results and 2025 outlook in more detail. Jeff?

Jeffrey A. Hochstadt
Chief Financial Officer

Thanks, John, and good morning, everyone. Let's start on Slide 9 with the second quarter highlights. Our second quarter net sales reflect organic growth from our Debit and Credit business, the addition of Arroweye and as noted in our press release, the one-time non-cash impact from an accounting change regarding revenue recognition timing for work-in-process orders.

Reported net sales increased 9% in the quarter to \$129.8 million or 15% excluding the impact of the accounting change, with organic growth led by increased sales of contactless debit and credit cards and strong growth from Card@Once instant issuance. Arroweye also delivered strong performance, contributing approximately \$10 million of revenue in less than 2 months since the May 6 acquisition.

Gross margins in the quarter were pressured by various factors, which I will discuss shortly, and net income was also impacted by various nonrecurring items. Adjusted EBITDA increased as the Arroweye

contribution and sales growth helped offset gross margin pressure. The sales impacts of the accounting change on the second quarter and year-to-date can be seen on Slide 10.

The accounting change essentially moves us away from recognizing revenue from certain work-in-process orders at the end of the quarter as was done historically to primarily recognizing revenue only at time of shipment. We made this change after a review of our current business practices with customers and to align with Arroweye. Practically, this means the second quarter does not reflect any revenue for work-in-process orders at the end of the quarter or prior quarters would have included such revenue.

This resulted in a one-time negative transition impact of approximately \$8 million on sales in the second quarter. Excluding the net impact of work-in-process orders in current and prior periods, net sales increased 15% in the second quarter. The accounting change only affects the timing of revenue recognition and does not impact cash flow. Other than the second quarter of next year, there will not be any significant quarterly comparison issues from this change going forward as the net work-in-process impacts have typically been relatively small each quarter.

There was approximately \$3 million of gross profit associated with the \$8 million sales impact. As a result, our net income in the quarter was affected by the accounting change, but there was no effect on adjusted EBITDA as the impact was treated as an adjustment item.

We can review the detailed quarterly results on Slide 11. The overall 9% sales increase reflects a 16% increase in the Debit and Credit segment and a 19% decrease in the Prepaid segment. The accounting change had the most significant impact on the Prepaid segment, which tends to have larger amounts of work-in-process due to the nature of the business. Excluding the impact of the accounting change, Prepaid net sales increased 4%, while Debit and Credit sales increased 18%.

As mentioned, Debit and Credit growth was led by the addition of Arroweye and increased sales of contactless cards, including metal cards and Card@Once instant issuance, partially offset by a decline in personalization services. The gross profit margin in the quarter decreased from 35.7% in the prior year to 30.9%, driven by 2 main factors: sales mix, which has been weighted towards larger volume issuers this year, including a decline in our personalization business and increased production costs, which include higher tariffs, depreciation and incremental costs related to our Indiana production facility transition.

Tariffs, which are expensed when inventory is received, were slightly more than \$1 million in the quarter. Based on the latest rates and projections, including Arroweye, we now expect tariffs of approximately \$5 million in 2025 with a slightly lower profit impact as we are partnering with our customers to share the impacts where possible. Depreciation expense and cost of sales was \$1.3 million higher than last year, reflecting the addition of Arroweye and depreciation related to the new Indiana factory and other new capital equipment. And we continue to have incremental costs associated with operating 2 production sites in Indiana while we transition to the new facility.

We are working to alleviate margin pressures for 2026 through supplier negotiations for key components, synergies from the Arroweye acquisition, better contribution from our emerging digital solutions as those businesses scale and expected efficiencies from our advanced machinery investments. We should also see improvement next year as our new Indiana production facility becomes fully operational, and we move past the higher costs and other inefficiencies we are incurring this year, operating duplicate facilities during the transition.

For this year, we expect incremental costs related to Indiana to affect adjusted EBITDA by approximately \$3 million, impacting both cost of sales and operating expense, and we expect that amount to decline by approximately half in 2026. We should also benefit from incremental operating efficiencies from the new state-of-the-art facility as the Secure Card business grows in coming years.

SG&A expenses in the second quarter, including depreciation and amortization, increased approximately \$3 million from the prior year, primarily due to the inclusion of Arroweye operating expenses and acquisition and integration costs of \$1.6 million. Our tax rate for the quarter was 61% on a relatively low pretax income amount, which brought our first half rate to 32%. The increase in our current rate

compared to prior year primarily reflects impacts from the Arroweye acquisition, including nondeductibility of certain Arroweye acquisition costs, and we now expect a full year rate of approximately 30%.

We expect cash NOL benefits of around \$5 million from the Arroweye acquisition in the coming years, which will benefit cash flow but will not impact our reported effective tax rate. We also expect approximately \$3 million to \$5 million of cash benefits from the recently passed U.S. Reconciliation Bill over the next 12 months. Net income decreased 91% in the quarter, which was also affected by Arroweye acquisition costs, restructuring charges related to the cost-saving activities, the impact of the accounting change and higher interest expense.

Adjusted EBITDA increased 3% to \$22.5 million as sales growth and the addition of Arroweye were partially offset by lower gross margins, including the impact of approximately \$1 million of tariff expenses. Adjusted EBITDA margins declined from 18.4% to 17.3%, primarily due to sales mix and increased tariff expenses. The second quarter margin would have been slightly lower, excluding the accounting change impact on sales. First half results and variance explanations can be found on Slide 12. The first half generally reflects the same factors as the second quarter. Segment results can be found on Slide 13. Income from operations for the Debit and Credit segment decreased 9% in the second quarter and 7% in the first half as sales growth, including the addition of Arroweye, was offset by lower gross margins.

Gross margins were impacted by the same factors discussed for the company as a whole, namely sales mix, increased depreciation expense and higher production costs, including tariffs, which primarily impact the Debit and Credit segment. Prepaid Debit segment income from operations decreased 40% in the quarter and 22% year-to-date, which was a direct result of the revenue recognition accounting change. Excluding work-in-process impacts, Prepaid income from operations increased slightly in the quarter with a stronger increase for the first half.

Turning to the balance sheet, liquidity and cash flow on Slide 14. We generated \$9.9 million of cash from operating activities in the first half, which was an increase from \$4.1 million in the prior year, driven by lower working capital usage. We increased capital spending investment from \$2.7 million in the prior year period to \$9.1 million in this year's first half, which resulted in free cash flow of \$800,000 this year, down slightly from \$1.4 million in prior year. The increased capital spending supported the build-out of our new Indiana secure card production facility as well as additional advanced machinery for other facilities.

In May, we completed the Arroweye acquisition for \$45.6 million, with final cash settlement dependent on working capital adjustments. The initial net cash outlay was \$42.4 million, which appears as an investment item in our cash flow and reflects Arroweye cash balances at the time of acquisition and funds held in escrow.

On the balance sheet, at quarter end, we had \$17.1 million of cash, \$30 million of borrowings on our ABL revolver and \$285 million of senior notes outstanding. Following the end of the quarter in July, we exercised an optional redemption feature on our 10% coupon senior notes and retired \$20 million of notes at a redemption price of 103% of par value. We also increased the size of our asset-backed lending facility from \$75 million to \$100 million, and we utilized short-term borrowings to retire the notes. Our net leverage ratio at quarter end was 3.6x, up from 3.1x at the end of the first quarter due to the funding of the acquisition. We expect to utilize free cash flow to pay down our ABL borrowings and bring net leverage down over time, although ABL borrowings increased early in the third quarter to fund the senior notes redemption.

Before we move on to our 2025 outlook, we have provided the latest U.S. cards in circulation trends from Visa and Mastercard on Slide 15. For the 3 years ended March 31, cards in circulation in the U.S. increased at an 8% CAGR. The latest earnings reports from large issuers continue to indicate card growth, and we'll now turn to our 2025 outlook on Slide 16.

We have updated our 2025 outlook primarily to reflect the Arroweye acquisition, increased tariffs and changes in sales mix. Our current net sales outlook is low double-digit to mid-teens growth, which compares to our previous outlook of mid- to high single-digit growth. The increase from the previous outlook is a result of the addition of Arroweye sales, partially offset by the impact of the accounting

change for revenue recognition timing. Although there were puts and takes among our businesses, our overall organic growth outlook has not significantly changed.

Our adjusted EBITDA outlook is unchanged from the prior outlook as we continue to project mid- to high single-digit growth. Compared to the prior outlook, we have added contribution from Arroweye, but this is expected to be offset by increased tariffs and unfavorable sales mix. Our current outlook reflects existing tariff rates and does not reflect potential impacts from the proposed semiconductor chip tariffs announced by the administration on August 6.

At this point, details on implementation timing and exemption criteria have not been announced. You will recall that during and after COVID, we gained significant share as we leveraged our strong chip supplier relationships, making significant investments to ensure we always had chips on hand for our customers. We have continued that practice. And while chip types vary, we have ample chip supply inventory currently. So we have some flexibility to manage supply chains in the near term.

Additionally, any final implications from chips would be an industry-wide impact for which we would work not only with our chip providers, but also with our customers on how to manage in the best possible manner. Since this is real-time news, we are not including any impact in our outlook this morning, and we'll share more when appropriate. From a quarterly standpoint, we expect the third quarter to face similar margin pressures as Q2, including costs related to further ramping up the Indiana plant before seeing accelerated sales growth and margin improvement in Q4.

As we mentioned last quarter, we expect net leverage to be temporarily higher this year compared to 2024 due to cash flow being utilized for the Arroweye acquisition and increased capital spending.

I will now turn the call back to John for some closing remarks.

John D. Lowe

President, CEO & Director

Thanks, Jeff. Turning to Slide 17 to summarize before we open the call for Q&A. Our core businesses are on track to deliver solid growth for the year, and we are pleased with the Arroweye contribution thus far as well as its long-term potential. We are also excited about the potential long-term benefits of our other investments, including further expansion into new markets such as health care, closed-loop Prepaid and digital solutions and the increased capability and capacity from our new production facility. And we remain focused on executing and delivering results for the remainder of 2025. Operator, we will now open the call up for any questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Andrew Scutt with ROTH Capital.

Andrew Scutt

ROTH Capital Partners, LLC, Research Division

It was great to see the revenue guide raise this morning. So my first one for me is on the Arroweye acquisition. You guys touched on the fact that some of their customers are now putting in larger orders with the backing of your balance sheet. It looks like current revenue from Arroweye is trending a little bit above your original expectations. Can you kind of talk about what you're seeing from these larger orders and maybe if the backing of your balance sheet will allow you to win larger customer awards as well, new customers, I mean.

John D. Lowe

President, CEO & Director

Yes. Andrew, good question. So we're happy with the Arroweye performance. We have spent the last 3 months getting even deeper with the business. We've got a great team in Las Vegas. And just in terms of how they performed, they did beat our expectation, nearly \$10 million of revenue in less than 2 months that we owned them through June 30, profitability better than our expectations.

So performing well. But I would say the performance, not as much driven by immediate revenue synergies, things that you're describing. I think there's opportunity for that as we have been out and about talking to their customers, understanding their customers' needs, how our solutions can work for their customers, their customers' needs might be leveraged by some of our digital solutions, things of that nature. But there's not exactly, I would say, large orders coming through because of the fact that we have a greater balance sheet immediately and things of that nature. But there's opportunities for that prospectively. But overall, we're excited about the opportunity set, the synergies that we see in front of us, especially as we get into 2026, we think will be positive and the performance to date has been better than our expectations.

Andrew Scutt

ROTH Capital Partners, LLC, Research Division

Great. Well, that's exciting to hear more synergies are ahead. Second one for me before I hop back in the queue. Jeff kind of broke this down, but you guys did a good job previously with your chips procurement. Kind of transitioning to Arroweye, we understand they use some of the same EMV chips that you guys may use. So are you guys able to tap into your existing inventory and maybe potentially free up some cash flows in the future?

Jeffrey A. Hochstadt

Chief Financial Officer

Yes. Andrew, yes, I think when we think about chips, we definitely think that's part of the synergy business case with Arroweye. We obviously have -- buy a lot more chips than they have. So we have a stronger purchasing power. So going forward, that is the intention that we can start leveraging some of the chips that we can procure at cheaper rates in their EMV and DI cards.

Operator

Your next question comes from the line of Jacob Stephan with Lake Street Capital Markets.

Jacob Michael Stephan

Lake Street Capital Markets, LLC, Research Division

I just wanted to ask a second question on Arroweye here. Obviously, you said \$10 million of revenue in less than 2 months on a non-GAAP basis, excluding that accounting charge, how much of the upside was really driven from Arroweye? And maybe you could kind of talk a little bit more on how has it outperformed your expectations as a percentage or maybe as an absolute dollar amount?

John D. Lowe

President, CEO & Director

Jacob, I mean the Arroweye contribution, it's still a very small part of the business, right? I mean I think if you exclude the accounting change, we're in the mid-130s in revenue. You're talking about \$10 million. Without Arroweye, we would have grown year-over-year. Their profitability definitely was a help. They're performing well especially in light of -- we had \$1 million in tariffs hit in Q2 that were hard to avoid. So -- but again, the Arroweye contribution was fairly small in relation to everything else for the quarter.

Jacob Michael Stephan

Lake Street Capital Markets, LLC, Research Division

Okay. Got it. Maybe just second one, Card@Once, it sounds like you guys had a nice government program win here, if I understood that correctly. I guess what's the opportunity here? It sounds like that's a relatively newer market for you, but I'd love to get your thoughts on how you're looking at some of those potentially larger programs with better sell-through.

John D. Lowe

President, CEO & Director

Yes. I mean we've been doing government work. And just to be clear, we do that indirectly. We typically try not to contract directly given the efforts you have to encounter with working directly with the government. But we do a lot of indirect work. We've been doing that in the debit and credit card space for a number of years. So this is an opportunity to take the solutions that we've already had in the debit and credit side and additionally provide them the ability to instantly issue on site in locations at -- specifically, this is for social safety net programs, so think of SNAP, unemployment, varying needs of individuals where they need money quickly and they need it on site at their government location within their local jurisdictions.

So we've started this in one state. There's a number of other locations that we believe we can penetrate into in the near term, which we're in discussions with. And this is just another area that we believe is a vertical that's a strong recurring market, similar to our other markets that we can continue to break into. But keep in mind, this is just the first, I would say, nonfinancial institution Card@Once vertical we're breaking into. There's a number of others that we're in discussions with as well, which we think will provide opportunities for us in the longer term.

So we're excited about the Card@Once performance. It's a great business for us, had 2 record quarters, Q1, Q2 of this year, and the team there is doing a great job. So we're excited about the opportunity set.

Jacob Michael Stephan

Lake Street Capital Markets, LLC, Research Division

Yes. It's great to see that traction there. I just have one follow-up. You talked a little bit more about metal cards on this call. I guess, what's your kind of thoughts? It sounds like you're providing a complementary product to some of your customers that have maybe plastic card offerings? Or is this kind of a growing part of your business at this point?

John D. Lowe

President, CEO & Director

Yes. I mean we've been doing metal for a number of years. What we produce, we have a couple of different types of contactless metal cards. Our metal cards in competition with the broader metal market are more on a relative value basis. And when we're trying to penetrate the small to mediums or those who don't want to spend as much on the very costly metal card that you might see from some of our competitors, we're positioned very well to kind of meet the needs of that market.

And as metal is a good market, it's still a very small market in relation to our broader markets. But it's an area where we can continue to sell that. You're correct as a complementary product to our customers or if they want to provide something to their higher clientele, we're priced appropriately and can provide them good value for what they're providing to their customers. And it will be a continued niche for us, but we'll continue to drive it from a go-to-market perspective.

Operator

Your next question comes from the line of Peter Heckmann with D.A. Davidson.

Peter James Heckmann

D.A. Davidson & Co., Research Division

On the subject, I know it's an evolving story and tariffs have been on again, off again. It's very, very difficult for American businesses to plan purchasing inventory when policy is so unpredictable. But I guess, what ways could you see to mitigate potential tariffs on chips in terms of sourcing? And given current inventory on hand, I guess, how much -- how many months of production would your current inventory cover?

John D. Lowe

President, CEO & Director

Yes, Pete, good question. So we do have ample chips on hand. Keep in mind, though, there really haven't been any details on the chip tariffs. There's no timing. We don't know what exceptions will be there. The way I would describe, we're an American company for the most part, right? We operate in 5 states. We have nearly 2,000 employees across those 5 states. We're investing in the U.S., building a large plant in Indiana, investing in every single one of our locations across the U.S.

So there's things we're trying to do to mitigate tariffs in general. But I think just like anything else that's occurred over the years, we've been able to manage through it and continue to grow the business and win share and drive profitability to the bottom line. So it's something we'll work through as we know more, but it's still hot off the presses, if you will.

Peter James Heckmann

D.A. Davidson & Co., Research Division

Yes. Yes. Okay. Do you think -- I guess, depending upon how this issue was resolved in the press release to discuss any finalized plans?

John D. Lowe

President, CEO & Director

Pete, that's a good question. I doubt it. As I said, we do have ample chips on hand. We've been holding a decent number of chips ever since COVID hit just to ensure no matter what happens in the market, we're always prepared to meet the needs of our customers. So I think the benefit for us is no matter what happens, we do have time to work through it. So there's no immediate risk, if you will. But again, just like all the other tariffs we would imagine, it makes sense.

Jeffrey A. Hochstadt

Chief Financial Officer

And I'd just add, Pete, this is going to be -- I mean, if it does come to fruition, it's an industry phenomenon also, right? It will affect the whole industry. So we'll just have to see if and when it does, we're across the supply chain, it's captured. And from a competitive standpoint, we're all in the same boat here.

Operator

And your next question comes from the line of Hal Goetsch with B. Riley Securities.

Harold Lee Goetsch

B. Riley Securities, Inc., Research Division

I just want to go over some of the detail, make sure I got it. So it was about a \$1 million tariff impact. And did you say it was a \$2 million to \$3 million impact from dual production facilities, running 2 facilities in Indiana. Is that right? So that's about \$4 million. Is that the right number?

Jeffrey A. Hochstadt

Chief Financial Officer

Yes, you got it almost right. \$1 million this quarter for the tariffs. [indiscernible] We're trying to partner with our customers to bring that down on the EBITDA impact. But from a cost impact, about \$5 million on tariffs for the year. And then for Indiana, that was about \$3 million incremental this year for getting the facility up and running. So that's kind of spread mostly Q3, Q4. And yes, go ahead.

Harold Lee Goetsch

B. Riley Securities, Inc., Research Division

\$8 million in total. It was \$5 million for the year in tariffs, \$3 million for Indiana production.

Jeffrey A. Hochstadt

Chief Financial Officer

Yes.

Harold Lee Goetsch

B. Riley Securities, Inc., Research Division

Okay. Cool. And the last time we had a supply chain disruption, it was like getting the supplies of chips and it caused a lot of activity and 2022 was a good year because of that, right? And is there any dynamic going on now where there's a pull forward of activity or is it on ordering? Or is it more now just like everyone is just kind of waiting to see what happens. It's a very different maybe dynamic than it was in 2022 in terms of customer order patterns and activity.

John D. Lowe

President, CEO & Director

Yes, Hal, we have not seen any pull forward from any of the tariff impacts thus far. The chip news came out Wednesday night. So that's very -- but again, we have -- and we shared this with our customers. We have ample chips on hand. There's no need to immediately react as a customer, and we'll continue to work through it.

Harold Lee Goetsch

B. Riley Securities, Inc., Research Division

And just for like kind of -- what was kind of the chip value before tariffs, any tariff changes to like in dollar value per card, like kind of just roughly. So we kind of know like the magnitude of...

Jeffrey A. Hochstadt

Chief Financial Officer

Yes. I mean we can't give you exact amounts. But when you think of the cost of the card, I mean, it is the biggest cost component when you talk about material costs significantly. So we can't give you any -- for competitive reasons, we don't want to give you any more detail there. But I mean, it is a big component of the cost structure.

Operator

As there are no further questions in the queue, I would now like to turn the call back over to John Lowe for closing remarks.

John D. Lowe

President, CEO & Director

Thanks, operator. Well, I want to again acknowledge and thank all of our CPI employees for their contributions and dedication to the company and to our customers. Thank you all for joining, and we hope you have a great day.

Operator

Thank you so much. This concludes today's conference call. You may now disconnect.

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