

**D-Wave Quantum, Inc.**

**Fourth Quarter Fiscal Year 2025 Earnings Conference Call**

**February 26, 2026**

**C O R P O R A T E   P A R T I C I P A N T S**

**Kevin Hunt**, *Senior Director of Investor Relations*

**Dr. Alan Baratz**, *Chief Executive Officer*

**John Markovich**, *Chief Financial Officer*

**C O N F E R E N C E   C A L L   P A R T I C I P A N T S**

**Harsh Kumar**, *Piper Sandler*

**Quinn Bolton**, *Needham & Co.*

**Kingsley Crane**, *Canaccord Genuity*

**Joe McCormack**, *Evercore*

**Krish Sankar**, *TD Cowen*

**Kevin Garrigan**, *Jefferies*

**Ruben Roy**, *Stifel*

**Troy Jensen**, *Cantor Fitzgerald*

**Craig Ellis**, *B. Riley Securities*

**John McPeake**, *Rosenblatt Securities*

**David Williams**, *Benchmark*

**Antoine Legault**, *Wedbush Securities*

**Tyler Anderson**, *Craig-Hallum*

**David Liu**, *Mizuho*

## **PRESENTATION**

### **Operator**

Good morning, everyone, and welcome to D-Wave's Fourth Quarter Fiscal Year 2025 Earnings Conference Call.

Today's conference call is being recorded.

At this time, I would like to turn the call over to Kevin Hunt, Senior Director of Investor Relations. Please go ahead.

### **Kevin Hunt**

Thank you, and good morning. With me today are Dr. Alan Baratz, our Chief Executive Officer; and John Markovich, our Chief Financial Officer.

Before we begin, I would like to remind everyone that this call will contain forward-looking statements which are subject to risks and uncertainties, and should be considered in conjunction with cautionary statements contained in our earnings release and the Company's most recent periodic SEC reports. An on-demand webcast will be available, and a transcript of the conference will be posted on the Investor Relations section of the website within 48 hours after the call.

During today's call, management will provide certain information that will constitute non-GAAP measures under SEC rules, such as non-GAAP gross profit, non-GAAP gross margin, Adjusted EBITDA loss, adjusted net loss, and adjusted net loss per share, and operating metrics such as bookings. Reconciliations to GAAP financial measures, definitions, and certain additional information are also included in today's earnings release, which is available in the Investor Relations section of our Company website at [www.dwavequantum.com](http://www.dwavequantum.com).

Given that D-Wave is now fortunate to have 15 self-side security analysts publishing research on the Company, we'll be limited to taking one question from each analyst during the first round of questions and then, time permitting, proceed to a second round of questions where, again, we will have to limit each analyst to one question.

I'll now hand over the call to Alan.

### **Dr. Alan Baratz**

Good morning, and thank you all for joining us today.

Fiscal 2025 was not just a strong year for D-Wave. It was an inflection point for the Company and for the quantum computing industry. For years, this sector has been defined by unrealized promises, dependence on government grants, and an inability to deliver customer value. In 2025, D-Wave separated itself from that narrative. We delivered proof; we delivered revenue; and we delivered real-world advantage.

While 2025 was declared the International Year of Quantum Science and Technology, for D-Wave, it was something more important. The year quantum computing moved decisively from research to real-world impact. We believe that no company advanced that transition more than D-Wave.

2025 was a year of objective proof, evidence of D-Wave's technical and commercial progress. We began the year by closing our first Advantage quantum computer system sale to the Jülich Supercomputing Center, marking the first time a commercial annealing quantum computer was purchased for integration into a

national supercomputing facility. We then became and remain the only quantum computing company to demonstrate quantum supremacy on a useful real-world problem. That result, which was achieved natively on our Advantage2 quantum processing unit, has not been successfully challenged for nearly two years after the paper's initial publication. This demonstration was an entirely quantum computation, not a hybrid computation.

Moreover, no other companies other than D-Wave, Google, and Quantinuum have achieved quantum supremacy on ANY problem. Not IBM, not IonQ, not Rigetti, not Infleqtion, not Xanadu, not IQM. All attempts other than D-Wave, Google, and Quantinuum have been spoofed. Only D-Wave's result was on a useful real world problem.

Then in May, we launched general availability of our Advantage2 system, the same system that achieved that supremacy milestone.

Critically, we transitioned that technical leadership into commercial performance with record revenue of \$24.6 million in fiscal 2025, up 179% year-over-year; with \$13.4 million in Q4 bookings, the second highest quarterly bookings in the Company's history, and up 471% from the immediately preceding third quarter; and our sales opportunity pipeline that expanded by nearly 1,500% year-over-year.

In an industry long on promises, D-Wave is delivering measurable results.

And now we have entered 2026 with extraordinary momentum. In January alone, we generated more bookings than in the entirety of fiscal 2025. We closed a \$20 million system sale with Florida Atlantic University. We signed a two-year \$10 million enterprise quantum compute-as-a-service agreement with a Fortune 100 company, one of the largest enterprise quantum computer-as-a-service deals in the history of the quantum computing industry. And we completed the acquisition of Quantum Circuits.

The acquisition of Quantum Circuits fundamentally changes the competitive landscape. We believe that it firmly secures D-Wave's position as the world's leading quantum computing company and the only dual-platform quantum computing company. As a result, we believe that we are the only company positioned to address the full quantum computing market. Our dual-platform approach is important because it allows D-Wave to be a one-stop shop capable of solving the full range of the complex problems that customers face.

But let me be clear. This approach is not new. It has been our strategy for five years. We dominate optimization today with annealing quantum computing technology. Now, by combining Quantum Circuits' industry-leading dual-rail Qubit technology with D-Wave's proprietary on-chip cryogenic control, we are also positioned to be the leader in error-corrected gate model systems.

Annealing quantum computing remains a strategic focus for D-Wave. Optimization is one of the largest and most immediate commercial opportunities in quantum computing. It spans logistics, defense, telecom, manufacturing, finance, and energy. Virtually every major industry. And optimization problems require annealing quantum computing.

D-Wave has demonstrated material performance advantages over classical approaches across a multitude of optimization use cases. We are running production workloads today. To our knowledge, no gate model quantum computing company has demonstrated a practical advantage over classical systems for optimization. Academic literature suggests they likely never will.

We're also seeing early promise with customers exploring annealing quantum computing's impact on AI and blockchain, two areas with enormous commercial potential. Annealing is not a stepping stone. It's a commercially proven architecture with expanding performance gains. With our Advantage3 system in development, we expect to further extend that performance gap. Annealing dominates optimization today, and we believe that it will continue to dominate as the market expands.

Now let's talk about gate model.

Most superconducting competitors are pursuing legacy transmon architectures that require massive physical qubit overhead for effective error correction and complex wiring schemes that will struggle to scale economically. With Quantum Circuits, D-Wave takes a different path. The Quantum Circuits deal is transformational. With it, we believe that D-Wave gains a decisive architectural advantage.

Dr. Rob Schoelkopf, the inventor of the transmon qubit used by nearly every superconducting competitor, moved beyond that architecture to develop dual rail qubits with built-in erasure detection that identifies 90% of errors that occur. With erasure detection, this technology delivers gate fidelities that exceed 99.9%, bringing trapped ion fidelities along with superconducting execution speeds to today's gate model algorithm developers. Our erasure detection and our observed erasure rate of 0.5% allow us to deliver logical qubits with an order of magnitude fewer physical qubits compared to architectures without this capability. Error correction is essential to unlocking broad quantum utility, and we believe that the dual rail technology offers the fastest path to large-scale error-corrected architectures.

I can't emphasize this enough. The dual rail technology allows us to achieve superconducting speed with the fidelity of ion trap or neutral atom approaches. This is an industry game changer unmatched by any other gate model vendor today. The implications of D-Wave's dual rail technology are profound. Our approach achieves logical qubit ratios of roughly one logical qubit for every 100 to 200 physical qubits compared to about one logical qubit for every 1,000 to 2,000 physical qubits in conventional superconducting designs.

What's equally remarkable are the gate speeds. Dual rail gate speeds are 1,000 times faster than ion trap or neutral atom systems. The fidelity of ion trap or neutral atom approaches with the speed of superconducting. That's a fundamental improvement in the metrics that matter. Speed matters, error correction overhead matters, scalability matters and D-Wave now holds advantages in each.

But our gate model innovations don't stop there. In January, D-Wave demonstrated that the on-chip cryogenic control currently being used in its Advantage quantum computers can be used to control gate model qubits without loss of fidelity. This industry-first milestone advances the development of commercially viable gate model quantum computers by providing a path to significantly reduce the wiring required to control large numbers of qubits. We're now working on leveraging this technology to provide full qubit control at scale. This would ultimately enable the ability to control gate model systems with multiple orders of magnitude fewer control lines than required by competing superconducting gate model systems. That difference is not incremental. It's architectural. It's essential.

As we discussed at the time of the Quantum Circuits acquisition, we have an 8-qubit gate model system available to select customers today, and we expect a 17-qubit system later in 2026. We've already seen tremendous interest from customers and expect to start generating some quantum compute-as-a-service revenue from our gate model systems this year while also building a pipeline of gate model system sales opportunities for delivery beginning in 2027.

In addition to accelerating commercial momentum that we see with our Advantage2 annealing system, we expect our gate model offering to deliver a small but growing stream of revenue in 2026. We believe that the Quantum Circuits acquisition positions D-Wave as the leading contender to deliver the first fully error-corrected scalable superconducting gate model quantum computer. This effectively doubles our long-term addressable market by delivering both annealing and gate model quantum computing solutions.

What's also particularly noteworthy is our rapidly accelerating commercial traction, which reflects a differentiated strategy from most all other quantum computing companies. At our qubits conference in January, our largest and most successful user conference ever, we announced a \$20 million Advantage2 system sale with Florida Atlantic University as well as a two-year, \$10 million enterprise QCaaS agreement with a Fortune 100 company, one of the most significant enterprise deals in the history of the quantum computing industry. This is not research revenue. It represents commercial adoption by a growing collection of the world's largest companies.

D-Wave is currently engaged with some of the world's leading airlines, payment companies, telecom operators, defense contractors, chemical companies, healthcare companies, aerospace companies, and more. Customers are no longer asking if quantum will be useful someday. They are asking how quickly they can deploy it.

The U.S. government is also taking note. To support escalating government interest in both our annealing and gate model technologies, we recently launched a dedicated U.S. government solutions business unit. Unlike other quantum companies that are focused primarily on securing federal R&D grants and characterizing those as commercial revenue, our strategy is very straightforward. Solve real mission-critical problems now and derive government revenue today.

At Qubits, we demonstrated a missile defense simulation in collaboration with Davidson Technologies and Anduril. For a 500-missile attack simulation, we showed a 10 times faster time to solution, a 9% to 12% improvement in threat mitigation, and 45% to 60% additional missile intercepts. As complexity increased, D-Wave's technological advantage increased. This is operational relevance.

Anduril's President and Chief Business Officer, Matthew Steckman, spoke during my Qubits keynote and indicated that he was surprised at how fast and mature D-Wave's technology is. He suggested that there is a lot of potential for collaboration going forward. We believe that there is significant opportunity in U.S. government applications across both our annealing and gate model platforms.

We're also seeing growing interest in system sales. In addition to annealing quantum computing system-related agreements with Jülich in Germany, Q Alliance in Italy, and Florida Atlantic University in the U.S., we continue to advance discussions in South Korea as well as with additional HPC, academic, and government institutions.

On the gate model side, we expect to see the development of a multimillion-dollar R&D system sales pipeline for 2027. For both our annealing and gate model computers, these are premium-priced systems with high gross margin profiles.

Underpinning all of D-Wave's technical and commercial traction is a very strong leadership team with decades of deep expertise in their respective areas of focus. We recently brought on Jack Sears, Jr. to lead U.S. Government Solutions; Stan Black, as our Chief Information Security Officer, and as I previously mentioned, Dr. Rob Schoelkopf, who brings world-class superconducting leadership and maintains strong ties with Yale University. Our Chief Development Officer, Dr. Trevor Lanting, will oversee product development across both annealing and gate systems, ensuring integration, speed, and execution. The strength of our management team and its track record of success are key to maximizing D-Wave's near-term opportunities and long-term growth.

Our operational footprint and workforce also continue to expand, with the announcement that D-Wave's headquarters will relocate from Palo Alto, California, to Boca Raton, Florida, later this year, where we will also open a major U.S.-based R&D center. With this expansion, D-Wave will operate three main R&D hubs, Burnaby, British Columbia; New Haven, Connecticut; and Boca Raton, Florida. We are building a distributed innovation footprint designed to attract top-tier quantum talent, provide bi-coastal redundancy in case of disaster recovery, and ultimately lead the next era of computing.

Let me close with a broader industry observation. Quantum computing is entering a new phase. The first phase was scientific exploration. The second phase was capital formation. The next phase will be commercial separation. Over the next several years, we expect that this industry will consolidate around a small number of companies that can demonstrate three things, real performance advantage, real commercial adoption, and a scalable, economically viable architecture. Many will not make that transition. D-Wave already has.

We are the only company to demonstrate real-world quantum supremacy on a useful problem.

We are the only company running production applications for Forbes Global 2000 Enterprise customers.

We are the only dual-platform quantum computing company with a commercially proven annealing quantum computer generating meaningful revenue and a differentiated superconducting gate model platform with a credible pathway to full error correction.

Others are still pursuing proof of concept. We have proof of commercialization.

Others are dependent on long development timelines, government funding, and sustained capital market support. We're building a business with commercial customers, contracts, and expanding bookings.

Others have made product development decisions that focus on either superconducting speed or ion trap and neutral atom fidelity. We can deliver both.

As the market matures, capital will flow toward companies with operating leverage, commercial validation, and technical defensibility. We believe D-Wave is uniquely positioned at that intersection. The quantum industry will not support dozens of long-term winners. It will support a handful of durable platforms, and we intend to be one of them. Fiscal 2025 marked the moment when D-Wave moved from participant to frontrunner. The momentum we are seeing in early 2026 suggests that this gap is widening.

With that, I'll hand the call over to John to provide a review of our fourth quarter and fiscal 2025 results. John?

### **John Markovich**

Thank you, Alan, and thank you to everyone for taking the time to participate in today's call. In my review of the fiscal year '25 and fourth quarter results, I will be providing non-GAAP operating metrics, including bookings as well as non-GAAP financial measures that include non-GAAP gross profit, non-GAAP gross margin, adjusted net loss, adjusted net loss per share, and Adjusted EBITDA loss, as we believe these metrics improve investors' ability to evaluate our underlying operating performance. These measures are defined in the tables at the bottom of today's earnings press release with the non-GAAP financial measures for the most part adjusting for non-cash and non-recurring expenses.

Revenue for fiscal 2025 totaled \$24.6 million, an increase of \$15.8 million or 179% from fiscal 2024 revenue of \$8.8 million, with fiscal '25 revenue including \$16.2 million in systems sales revenue, \$5.5 million in QCaaS subscription revenue, and \$2.7 million in professional services revenue.

I would like to highlight several aspects of D-Wave's revenue that clearly distinguishes the Company from a number of other so-called quantum computing companies. First, all of our revenue is derived from selling, providing access to, or providing services for quantum computing systems. We do not recognize any revenue from any products or services that are not directly related to quantum computing, such as quantum sensing, quantum networking, or encryption systems that rely on quantum physics but not on quantum computing. None of these products or services have anything to do with quantum computing, that we define as computing systems that harness quantum mechanical effects, specifically superposition and entanglement to solve complex computational problems. In addition, we do not give, grant, invest, or lend funds to any of our customers that they utilize or intend to utilize towards the purchase of our products and or services.

Fiscal 2025 bookings were \$18.7 million, a decrease of 22% or \$5.2 million from fiscal '24 bookings of \$23.9 million, keeping in mind that the 2024 bookings included an eight-figure booking of the Company's first systems sale. Subsequent to the end of fiscal 2025, D-Wave has closed over \$32.8 million in additional bookings that includes a \$20 million system sale to Florida Atlantic University and a \$10 million two-year enterprise-license deal with a Fortune 100 company.

With respect to the diversity of our customer base, in fiscal 2025, D-Wave recognized revenue from over 135 individual customers, encompassing over 70 commercial customers that includes over two dozen Forbes Global 2000 enterprises. The average revenue per commercial customer increased by 20% over fiscal '24, and the total revenue recognized from Forbes Global 2000 customers increased by 70% on a year-over-year basis, with the average Forbes Global 2000 deal size up 90% on a year-over-year basis.

GAAP gross profit for fiscal '25 was \$20.3 million, an increase of \$14.7 million or 265% from fiscal '24 GAAP gross profit of \$5.6 million, with the increase due primarily to a higher-margin quantum computer system during the year.

Non-GAAP gross profit for fiscal '25 was \$21.1 million, an increase of \$14.7 million or 229% from the prior year non-GAAP gross profit of \$6.4 million.

GAAP gross margin for fiscal '25 was 82.6%, an increase of 19.6% from fiscal '24 GAAP gross margin of 63%, with the increase again due primarily to a higher-margin quantum computer system sale during the year.

Fiscal 2025 non-GAAP gross margin was 86%, an increase of 13.2% from the prior year non-GAAP gross margin of 72.8%.

Again, the difference between GAAP and non-GAAP gross profit and gross margin is limited to non-cash stock-based compensation and depreciation, amortization expenses that are excluded from the non-GAAP gross profit and gross margin measures.

Net loss for fiscal 2025 was \$355 million or \$1.11 per share compared with the fiscal 2024 loss of \$143.9 million or \$0.75 per share. The increase in net loss was primarily driven by \$270.5 million in non-cash, non-operating charges related to the remeasurement of the Company's warrant liability as well as realized losses stemming from warrant exercises, both directly related to the increase of the price of the Company's warrants in common stock.

Excluding this non-cash remeasurement charge, the adjusted net loss for fiscal '25 was \$84.5 million or \$0.26 per share, an increase of \$8.9 million or \$11.8% when compared to the fiscal '24 adjusted net loss of \$75.6 million or \$0.39 per share. The reduction in net loss per share was due to a higher issued and outstanding number of common shares in '25 when compared to '24.

Adjusted EBITDA loss for fiscal '25 was \$71.8 million, an increase of \$15.8 million or \$28% from the fiscal '24 Adjusted EBITDA loss of \$56 million, with the increased loss due primarily to higher operating expenses partially offset by higher gross profit.

Now we'll move on to the fourth quarter. Revenue in the fourth quarter totaled \$2.8 million, an increase of approximately a \$0.5 million or 19% from the fourth quarter of fiscal '24 revenue of \$2.3 million, with fourth quarter '25 revenue including \$1 million in QCaaS subscription revenue, \$1 million in professional services revenue, and approximately \$700,000 in systems sales revenue.

Bookings for the fourth quarter were \$13.4 million, a decrease of \$4.9 million or 27% when compared to the year earlier quarter of \$18.3 million that included the eight-figure systems sale that I referenced earlier. On a sequential quarter-to-quarter basis, bookings increased \$11 million or 471% from the immediately preceding fiscal '25 third quarter bookings of \$2.4 million, with the increase due primarily to the previously announced €10 million booking for a multiyear 50% capacity commitment for a D-Wave Advantage2 annealing quantum computing system to support the development of a Lombardy Italy-based state-of-the-art quantum computing and research facility.

GAAP gross profit for fiscal '25 fourth quarter was \$1.8 million, an increase of approximately \$300,000 or 21% from the fiscal '24 fourth quarter gross profit of \$1.5 million, with the increase due primarily to the

growth in revenue. For the fourth quarter non-GAAP gross profit was \$2 million, an increase of approximately \$300,000 or 17% from the prior year fourth quarter non-GAAP gross profit of \$1.7 million.

GAAP gross margin for the fiscal '25 fourth quarter was 64.8%, an increase of 1% from the fiscal '24 fourth quarter GAAP gross profit margin of 63.8%. For the fourth quarter the non-GAAP gross margin was 71.8%, a decrease of 1.2% from the fiscal '24 fourth quarter non-GAAP gross margin of 73%.

Net loss for the fourth quarter fiscal '25 was \$42.3 million or \$0.12 per share, a decrease of \$43.8 million or \$0.25 per share from the fiscal '24 fourth quarter net loss of \$86.1 million or \$0.37 per share. The decrease in net loss was primarily due to a decrease of \$57.7 million in non-cash and non-operating charges related to the remeasurement of the Company's warrant liability, partially offset by higher operating expenses. Excluding this charge the fourth quarter adjusted net loss was \$31.8 million or \$0.09 per share, an increase of \$14 million or \$0.01 per share from the fiscal '24 fourth quarter adjusted net loss of \$17.8 million or \$0.08 per share.

Adjusted EBITDA loss for the fourth quarter was \$25 million, an increase of \$9.7 million or 63% from the prior year fourth quarter Adjusted EBITDA loss of \$15.3 million with the increase due primarily to higher operating expenses, partially offset by higher gross profit.

Now I will address the balance sheet and liquidity. During fiscal '25, D-Wave raised over \$800 million in gross proceeds from the issuance of equity under two ATM programs, an ELOC program, and from the exercise of warrants and stock options. As of December 31, 2025, D-Wave's consolidated cash and marketable securities balance totaled \$884.5 million, representing a 397% increase from the year earlier consolidated cash balance of \$178 million and a 6% increase from the immediately prior fiscal '25 third quarter consolidated cash balance of \$836.2 million. During the fourth quarter, the Company received \$63.7 million in cash proceeds from the exercise of warrants.

As previously announced, subsequent to year end, we invested \$250 million in cash in conjunction with the acquisition of Quantum Circuits, and we believe that our remaining liquidity is sufficient to support a fully funded plan for profitability.

With respect to 2026, we will continue our practice of not providing formal financial guidance. However, I would like to provide some parameters. With respect to bookings, we are obviously off to a tremendous start with fiscal 2026 year-to-date bookings already exceeding our annual bookings for any year in the Company's history. As Alan noted earlier, our sales opportunity pipeline entering 2026 was up nearly 1,500% to the beginning of 2025. That includes a 700% increase in the total number of prospective sales transactions. We continue to see interest in potential system sales, not only for our Advantage2 annealing system, but also for our dual rail gate model quantum systems. However, as we have previously noted, the systems sales process is fairly complex, and the sales cycle is usually lengthy in duration.

With respect to revenue recognition, on system sales, please keep in mind that most of these transactions will involve site preparation, installation, calibration, and other key steps before the systems are fully operational that are likely to encompass multiple months and possibly quarters, depending on the unique elements of a particular system transaction. As a result, our revenue recognition on system sales is on a percentage of completion basis. In addition, we anticipate that most system sales transactions will involve a multi-year service and maintenance revenue component, and some may include a multi-year Leap cloud access component.

With respect to the recently announced \$10 million enterprise QCaaS agreement, this revenue will be recognized ratably over a two-year timeframe, commencing in the current quarter. The €10 million booking in Italy will be recognized ratably over five years, commencing once the system is fully installed, which we expect will be in the second half of this year. To summarize, we expect incrementally higher revenue growth in the second half of this year when compared to the first half.

With respect to operating expenses, we intend to continue to invest aggressively in both our annealing and gate model technology development initiatives that consist primarily of research and development headcount, fabrication expenses, and, to some degree, capital expenditures. As we previously outlined, approximately 65 research and development professionals joined D-Wave through the Quantum Circuits acquisition, and we intend to expand this New Haven, Connecticut-based gate model team by at least 50% over the course of this year.

In addition, we will be making significant headcount and capital investments at our recently announced U.S. R&D facility in Boca Raton, Florida, where we intend to expand our annealing R&D team and eventually to install one or more annealing systems to support our Leap cloud service offering.

Lastly, given the recent formation of our government business unit, we will be making meaningful investments in this area, given the magnitude of opportunities that we see here.

Over the course of fiscal '26, we expect to increase quarterly operating expenses by approximately 15% sequentially over the immediately prior fiscal quarter.

In conclusion, as we have previously stated, we continue to believe that D-Wave has the opportunity to be the first independent, publicly held quantum computing company to achieve sustained profitability and to achieve this milestone with substantially less funding than required by other independent, publicly held quantum computing companies.

With that, Operator, please open the call for questions.

### **Operator**

Thank you. We will now begin the question-and-answer session. To ask a question, you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing any keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then two. As a reminder, please limit yourself to one question and requeue should you have a follow-up. At this time, we will pause momentarily to assemble our roster.

Our first question comes from Harsh Kumar of Piper Sandler. Please go ahead.

### **Harsh Kumar**

Yes. Hey, guys. Congratulations on multiple fronts and all the progress you guys are making on technological achievements. Alan, I had one for you. I wanted to ask about the gate model particularly. Can you help us think about the advantage with the built-in error correction that you have? I'm asking specifically from a time-to-market standpoint. Or should I just think of this as you just need a lot less, like 10x less qubits to get to a commercial system? But I've got to believe this translates to some kind of a timing advantage for you as well.

### **Dr. Alan Baratz**

Yes, it absolutely does translate into a timing advantage. The reason it translates into a timing advantage is because the complexity of building a fully error-corrected system and scaling it to the size needed to achieve quantum utility is much lower, given the dual-rail technology combined with our cryogenic control technology. The dual-rail technology gives us very high gate fidelities, on par with some of the best in the industry, including trapped ion and neutral atom. But while preserving the thousand times speed advantage of superconducting over the other modalities. But because of the higher fidelities, we are able to error-correct with many fewer physical qubits per logical qubit. That is a complexity reduction advantage.

Then when you add the on-chip cryogenic control, what we believe will ultimately allow us to control hundreds of thousands or more qubits with just hundreds of IO lines versus hundreds of thousands of IO

lines, as with other superconducting approaches, again, a dramatic reduction in the complexity. We believe that this combination will allow us to build and deploy scaled error-corrected superconducting gate model systems ahead of anybody else. We believe that ultimately superconducting will lead because of the speed advantage.

### **Operator**

Our next question comes from Quinn Bolton of Needham & Co. Please go ahead.

### **Quinn Bolton**

Hey, guys. I'll also offer congratulations on a great 2025. John, I just wanted to come back—I know you're not giving guidance per se for '26, but as we think about the integration of QCI now into the business, can you give us any points as to how much OpEx you would expect to incur in 2026 with that acquisition? Is the OpEx for that team fully factored into that 15% OpEx quarter-on-quarter increase that you talked about for March? Just trying to think about if we had a base model for D-Wave prior to the acquisition, how much additional OpEx would you think we would be putting into the models for the year now that QCI is closed?

### **John Markovich**

Quinn, my comments earlier in terms of the sequential 15% growth in OpEx, that includes QCI expansion in not only their R&D team, but other expenses including fabrication expenses as well as some capital expenditures. The answer to your question is yes, 15% fully includes the incremental costs associated with QCI.

### **Operator**

Our next question comes from Kingsley Crane of Canaccord. Please go ahead.

### **Kingsley Crane**

Hi, thanks for taking the question. Congrats on the really strong momentum. John, for you, QCaaS, it's moderated a bit the past year with system sales driving growth. I'm just wondering if you have a sense of what you think an ideal net retention rate for that segment can be or what that could be this next year, and then if Stride hybrid solvers new ML integration capabilities could change that upsell conversation at all with existing customers. Thanks.

### **John Markovich**

Kingsley, we have not published retention rates, but what I can tell you is when you take a look at the composition of the QCaaS for the last two years, keep in mind that a significant component of our QCaaS in '24 was Jülich, and that transitioned to a system sale. When you take a look at the bookings that we recently announced, including the 50% utilization of the system in Italy as well as the enterprise QCaaS deal, we're starting to see substantially larger transactions that give us incrementally more visibility on the growth and the overall QCaaS than what we've seen in the past.

### **Dr. Alan Baratz**

John, maybe I'll just chime in as well, especially given the comment about the Stride solver. Kingsley, we've been saying all along that system sales and QCaaS are very complementary models for us and that the system sales for now are larger deals and nearer term revenue recognition versus the QCaaS deals, which are a bit smaller and recognized ratably over a multi-year period in general. However, we are really beginning to see an increase in the size of QCaaS deals. I started signaling this last year when I said we're now looking at larger companies doing larger deals with us, including potentially enterprise all-you-can-eat

licenses. That two-year \$10 million Fortune 100 company deal that we closed at the beginning of this year is the first example of that. That is starting to transition QCaaS into larger enterprise license deals.

Now, revenue for those deals still gets recognized ratably, so the revenue recognition is generally over a longer period of time than the system sales, but we're really now starting to see the growth in the size of those QCaaS deals. I think that, as we look to the future, we will continue to see larger system sales deals than QCaaS deals, earlier revenue recognition on the system sales than the QCaaS, but I think we're going to really start to see QCaaS picking up the pace as we begin to do more enterprise licenses.

**Operator**

Our next question comes from Joe McCormack of Evercore. Please go ahead.

**Joe McCormack**

Yes, thanks for taking the question on for Mark Lipacis. Maybe just around Quantum Circuits and how it's playing into that, kind of sales pipeline increase that you're talking to. I saw that you closed a little bit north of \$2 million in bookings for QCI in January. Can you speak a little bit to the levels of engagement that you're seeing? I don't know if there's any qualification around like what that book of business looks like from a backlog perspective that that's folding in as we enter the 2026 year.

**Dr. Alan Baratz**

John, you want me to do that or you want to take it?

**John Markovich**

No, I'm happy to. As we articulated when we first announced the transaction, Joe, we do expect revenue contribution over the course of this year from Quantum Circuits on the professional services and QCaaS side. They also have a book of business that is government related. They actually had some revenue last year that was government related. That's where we expect revenue contributions from Quantum Circuits this year. Then as we previously outlined, we also expect to start to develop a sales pipeline over the course of this year for potential systems sales.

**Dr. Alan Baratz**

The only other thing I'll say is we are seeing a lot of interest in the dual rail systems, including the 8-qubit system that we have operational today with some early customers using it, and in the 17-qubit system we expect later this year. A number of our current annealing customers have expressed interest in that system, in addition to the annealing system. We're quite encouraged by the interest that we're seeing.

**Operator**

Our next question comes from Krish Sankar of TD Cowen. Please go ahead.

**Krish Sankar**

Hi, thanks for taking the question. I just want to find out, like obviously one of your competitors is buying one of your foundries, wondering how you're looking at risk mitigation. Also does QCI use the same foundry as qubits or is this a different foundry?

**Dr. Alan Baratz**

Okay, currently the dual rail technology is not fabricated at SkyWater. For our annealing technology, SkyWater does fabricate the wiring, but they do not fabricate the active components, the Josephson

junctions, which is in some sense the most important and sensitive technology fabrication component from an IP perspective. The active components we fabricate ourselves in our R&D facilities and SkyWater does the wiring. On dual rail technology, SkyWater is not involved at all.

My view on the IonQ acquisition of SkyWater is that, on the one hand, they're saying all the right things relative to continuing to work together exactly as we have been and we should not be concerned about anything changing as a result of this transaction. On the other hand, we are skeptical and we are concerned. We are actively working on other sources of fab support for our systems.

### **Operator**

Our next question comes from Kevin Garrigan of Jefferies. Please go ahead.

### **Kevin Garrigan**

Yes, hey, Alan and John. Let me echo my congrats on all the progress. Hey, you talked a little bit about it in a previous question, but on the QCaaS side, how are customer conversations evolving and what metrics are customers really focused on when evaluating quantum as a solution? Is it all about speed up time or is it convenience or just your quantum annealer is just far better than anything out there?

### **Dr. Alan Baratz**

Well, first of all, the annealing quantum systems are the only ones that can actually deliver any commercial value today on real world problems. They're the only ones that are used in production by customers today. No other quantum computer is capable of that level of computation and commercial ROI. The way this evolves is that we basically engage a customer on an initial application and we've gotten very good at being able to identify upfront whether the application that they're interested in or other applications that they're dealing with will benefit from our systems or not.

Now, unlike in the past, when we start an initial application development with a customer, we have a very high degree of confidence that they're going to be able to see a very strong ROI. Then that is what allows us to basically validate for them the benefits and the value they can get from working with us. That then allows us to move more rapidly to getting that initial application into production. Then that's what generates interest in other applications.

The Fortune 100 deal that we did, that started with a first application. They were blown away by the results that we achieved, including a dramatic improvement in their bottom line based on using this technology. Then they came back and said, okay, we've got quite a few other applications. We want an all-you-can-eat license. We are now starting to see some other large companies see similar benefits from the initial application and talking about similar kinds of engagements.

### **Operator**

Our next question comes from Ruben Roy of Stifel. Please go ahead.

### **Ruben Roy**

Yes, thanks. Congrats, Alan and John, on the progress. These are probably a little bit longer-term in nature questions, but I'm wondering, with your annealing customers, obviously you have a lot of commercial customers on the annealing side. Have you started to have some conversations on potential longer-term roadmap opportunities with gate model QCI computing with those success stories on the annealing side? Then the second part of that question is, and again, it's probably pretty early here, but you've got the dual-platform approach. Are there opportunities in your view to combine annealing and gate to come up with unique solutions? Again, you're the only quantum compute company with both, so I'm wondering if there

are opportunities longer-term to have hybrid solutions or whatnot to even expand the TAM further. Thank you.

**Dr. Alan Baratz**

Okay, so first of all, yes. A number of our annealing customers have approached us and said, look, we've got some other use cases here that we'd like to look at in the context of your gate model technology. Our customers understand the difference between annealing and gate. They understand the types of problems that require annealing versus the types of problems that require gate. We've educated them on that. They're pretty savvy on that. They recognize that they've got other problems that potentially could benefit from gate, and they have started to engage us on those discussions.

Then the only other thing I'll say relative to your second question, it's an easy one - not yet. There's some early evidence based on the fact that we've integrated some digital controls, read that as some gate operations, into our annealing systems, and we're seeing some very interesting scientific results based on that. Maybe, but it's way too soon to be thinking of that as a viable commercial opportunity.

**Operator**

Our next question comes from Troy Jensen of Cantor Fitzgerald. Please go ahead.

**Troy Jensen**

Hey, gentlemen. Congrats on all the momentum here. Alan, I totally agree with you. My best takeaway from qubits '26 was there's just dozens of customers out there that have piloted programs and seem ready to move forward. My question on these multiple eight-figure enterprise QCaaS deals, can you talk about, like, how much capacity do you guys have with your existing annealing computers in the time that they take to launch more if you need to ramp quickly?

**Dr. Alan Baratz**

Yes, we have plenty of capacity in our Leap quantum cloud service to support minimum tens of enterprise deals. Our quantum computers are very capital efficient. Each quantum computer can support \$25 million to \$30 million of revenue per year. We've got four of them available today. We've got plenty of revenue capacity for these kinds of deals. But deploying another system, the capital cost is only about a couple of million dollars. The build time—once we have the componentry is like three to four months. With some lead time, we have no problem deploying additional systems.

**Operator**

Our next question comes from Craig Ellis of B. Riley Securities. Please go ahead.

**Craig Ellis**

Yes, thanks for taking the question. Guys, congratulations on the real strong execution. Alan, I wanted to ask you a higher level question. I'll rewind the clock a little bit. I think it was three quarters ago you told us to expect increased R&D and go-to-market spend. Here we are now able to show proof that we've got annealing cryo control applicability to gate. We start the year with, I think, around \$45 million in trailing four or five month bookings, which is extremely robust. The question is, is that signs of execution of what you were pointing to or were you expecting something else? As we start the year, if you can give us any color on what you see in the pipeline on the system side, and with that, all-you-can-eat newer offering, it'd be greatly appreciated. Thank you.

**Dr. Alan Baratz**

The short answer is yes, that our investments were designed to accelerate work on our Advantage3 system, which includes analog digital capability as well as multi-chip for scaling to 100,000 qubits, and then to really start accelerating work on the gate model system. One of the key elements that we uniquely were bringing to the table was on-chip cryogenic control. On the R&D side, yes, the investments are playing out as we had planned. On the go-to-market side, you said it. We're making really good progress. It's robust at this point in time. Our pipeline has grown significantly, and we're feeling quite good about what we can expect to see this year. The investments in go-to-market are playing out exactly as we expected as well.

**Operator**

Our next question comes from John McPeake of Rosenblatt Securities. Please go ahead.

**John McPeake**

Thanks, guys. Great work. I like what you're doing. A question on Advantage3. Do you have any more information about circuit tests, any information that you could give us relative to how you're progressing there and what the capabilities might be relative to Advantage2? Thank you.

**Dr. Alan Baratz**

Yes. I kind of called out the two key elements. One analog-digital, the other multi-chip. Obviously, with each generation of system, it's more qubits, more connectivity, and higher coherence times. But functionally, the big things for Advantage3 are putting some digital controls into the annealing fabric as well as a multi-chip for scaling far more rapidly. We've got our first chips back that incorporate the analog-digital controls, and we are close to having our first chips that demonstrate multi-chip interconnect. We're making good progress on all fronts.

**Operator**

Our next question comes from David Williams of Benchmark. Please go ahead.

**David Williams**

Hey, good morning. Let me also echo my congrats on the execution here. Maybe, Alan, can you speak to some of the pipeline that you talked about in the script, just the strength there, where that's coming from and really what you're hearing from customers, and how quickly can this pipeline turn into maybe confirmed revenue or those orders could come in. Just kind of that life cycle of that pipeline. Thanks.

**Dr. Alan Baratz**

Yes. I'm not going to address the revenue piece because that's all based on the revenue recognition policies of the Company and different deals have different recognition timelines. But as far as closing the deals, we've got a strong pipeline for both system sales. Honestly, when we talked about this at the beginning of last year, I said expect maybe one a year for the foreseeable future. Our pipeline for system sales right now is very robust. We're beyond one a year at this point in time.

Then the same is true on QCaaS and professional services deals. I talked a little bit about it. One of the world's largest airline companies, one of the world's largest healthcare companies, largest chemical companies. We are closing deals with much larger companies. These are much larger deals from the outset. We're progressing through them much faster. Very strong go-to-market environment for us right now.

**Operator**

Our next question comes from Antoine Legault of Wedbush Securities. Please go ahead.

**Antoine Legault**

Good morning. Thanks for the question. Also I want to echo my congratulations on the progress in 2025. There's been reports that, the Pentagon's budget would increase significantly into fiscal 2027. With some of that budget likely to be allocated to quantum technologies. Can you tell us a bit more about the magnitude of the opportunity ahead and how that might benefit you, particularly given your new government business unit? Thank you.

**Dr. Alan Baratz**

Yes. Just quickly. First of all, we are not primarily pursuing R&D research grants. This isn't about the government funding us to build our systems. We've got plenty of liquidity to be able to fund our R&D roadmap. What we are focused on is helping the government solve their hard computational problems today. In fact, we've got a very interesting pipeline there. I'll be very frank with you. When we talked about the Davidson-Anduril deal at qubits and Anduril talked about what they had seen in using our system, that generated a very significant inflow of interest in leveraging our systems to solve hard problems within the U.S. government. We're feeling like we've got the wind to our back right now. With Jack Sears on board and building the government business, basically having a place where we can engage and deliver for the U.S. government, we're feeling quite good about the opportunity.

**Operator**

Our next question comes from Richard Shannon of Craig-Hallum. Please go ahead.

**Tyler Anderson**

Hi, guys. This is Tyler Anderson on for Richard. Thank you for taking my question. You mentioned that you have 50% of the capacity of your system booked. When we're thinking about future new systems that are coming online for the Advantage3 and beyond, is there a potential where we see multiple of those systems come online right away? That way you can have that capacity reserved for customers that you're talking to today? Are you having those conversations? Just want to get some color on that.

**Dr. Alan Baratz**

Yes, Tyler. First of all, when you say 50%, the only time we've talked about 50% of capacity was in the Q Alliance deal in Italy. They purchased 50% capacity of an Advantage2 system. In general, in our cloud service today, we're not yet even at 50% capacity. We've got plenty of capacity in our Leap cloud service to support our professional services engagements and quantum computers as service customers.

When we bring a new system to market, we try to upgrade all our cloud systems as quickly as possible. In the past, because the numbers have been relatively small, we've just done them one at a time. However, now that we are seeing a lot more interest in system sales, we are making some investment in the team and the capabilities to do installations so that we don't have to serialize. We can do more in parallel going forward. The answer is yes.

**Operator**

Our next question comes from David Liu of Mizuho. Please go ahead.

**David Liu**

Hi. Thanks for taking the question and congrats on the strong momentum here. My question I wanted to ask is you guys called out the interest and momentum in system sales growth going to '26 as well as the enterprise structure for QCaaS. How should we think about QCaaS and the hardware sales mix going forward? Maybe in relation to that, the OpEx number as well for the year. Thanks.

**Dr. Alan Baratz**

John, do you want to take that?

**John Markovich**

Sure. With respect to the OpEx number, as I articulated earlier, and my comments were based upon our consolidated OpEx. My comments were that we're expecting OpEx to grow at 15% sequentially quarter-to-quarter over the course of the fiscal year.

Then with respect to the mix, the mix is going to be entirely a function of the composition and magnitude of the bookings, which, as we've articulated in the past, we expect that in the foreseeable future to be relatively lumpy, where we could have a substantially higher QCaaS enterprise mix in any given quarter than we have systems bookings. Then, as Alan mentioned earlier, each one of these deals could have unique revenue recognition elements to it. For instance, the percentage of completion on a systems installation. The answer is expect that mix to be lumpy.

**Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to Dr. Baratz for any closing remarks.

**Dr. Alan Baratz**

Thank you. In closing, let me reiterate that D-Wave is different. We're pulling away from the quantum computing pack, as demonstrated by our undeniable commercial traction and our remarkable technical leadership.

D-Wave is the only dual platform quantum computing company capable of delivering both annealing and gate model systems.

The only company with quantum computers that have demonstrated quantum supremacy on a useful real world problem.

The only company that has customer applications in production now.

The only company with highly differentiated gate model technology that delivers the remarkable speed of superconducting and the fidelity of ion trap or neutral atom approaches. A powerful combination that positions D-Wave to win in the error corrected gate model race.

2026 is the year of D-Wave quantum, the year we emerge as a defining company in the quantum era. Thank you all for joining us today, and we look forward to updating you on D-Wave's progress in the coming months.

**Operator**

This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.