



Skyworks' Q2 FY 2024 Conference Call Prepared Remarks – April 30, 2024

Raji Gill
Vice President, Investor Relations

Thank you, operator. Good afternoon, everyone and welcome to Skyworks' second fiscal quarter 2024 conference call. With me today is Liam Griffin, our Chairman, Chief Executive Officer and President, and Kris Sennesael, Chief Financial Officer for Skyworks. This call is being broadcast live over the web and can be accessed from the investor relations section of the company's website at skyworksinc.com. In addition, the company's prepared remarks will be made available on our website promptly after their conclusion during the call.

Before we begin, I would like to remind everyone that our discussion will include statements relating to future results and expectations that are, or may be, considered forward-looking statements.

Please refer to our earnings press release and recent SEC filings, including our Annual Report on Form 10-K, for information on certain risks that could cause actual outcomes to differ materially and adversely from any forward-looking statements made today.

Additionally, the results and guidance we will discuss include non-GAAP financial measures, consistent with our past practice. Please refer to our press release within the investor relations section of our company website for a complete reconciliation to GAAP.

With that, I'll turn the call over to Liam.

Liam Griffin
Chairman, Chief Executive Officer and President

Thanks, Raji and welcome everyone.

Skyworks posted solid results for the second fiscal quarter of 2024. We delivered revenue of \$1.046 billion, we posted earnings per share of \$1.55, and generated \$300 million of operating cash flow, which reflects strong working capital management and operational excellence.

During the March quarter, in our mobile business, we saw below normal seasonal trends, with lower-than-expected end market demand. In Broad Markets, the December quarter represented the bottom, and we delivered modest sequential growth in March, reflecting a turning point.

We expect the pace of the recovery will be measured throughout 2024 given ongoing weakness in certain end markets like infrastructure and automotive.

In edge IoT, we have a solid Wi-Fi 6E and Wi-Fi 7 design win pipeline. We are in the early innings of a multi-year upgrade cycle, with high-end access points, now being offered. Over the coming quarters, we anticipate retailers to rollout mainstream models, followed by carriers and MSOs for their gateways and router products.

The wireless infrastructure and traditional data center markets remain soft. We continue to under ship natural demand as we allow the distribution channel and customers to consume excess inventory. Despite near-term headwinds, we remain bullish on AI workloads driving upgrades to Ethernet switches and optical modules - a positive long-term driver for our advanced precision timing solutions.



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Lastly, automotive and industrial markets remain under pressure as they continue to undergo a steep inventory correction. However, we see opportunities for long-term growth in our automotive business. Automotive OEMs are increasingly focused on software defined vehicles, the connected car and in-cabin user experience, all of which are generating higher levels of radio complexity. Despite near-term headwinds, we remain positive on growing EV penetration, creating demand for our power isolation products.

Our strategy is to leverage connectivity technology, across multiple growth segments, including edge-connected IoT devices, automotive electrification and advanced safety systems, and AI infrastructure.

Connectivity is crucial in enabling AI on decentralized edge systems. Our RF technology powers applications like the connected home, building automation, smart cities, machine to machine and wearables.

We are particularly excited about the industry mandates and regulatory tailwinds leading to higher levels of connectivity inside the car. For example, the number of radios and antennas are growing in vehicles to support various communication standards including: 5G Cellular, Bluetooth, Wi-Fi, Ultra-Wide Band, NFC, and CV2X.

The multitude of radios create challenges around coexistence, external interference and latency. Our advanced RF solutions can solve these complex problems for our OEMs.

In data center, accelerated workloads supporting large language models are catalyzing networking and optical upgrades. We have a timing portfolio targeting next-generation 800-gig and 1.6-terabit Ethernet switches and optical modules, enabling AI infrastructure.

During Mobile World Congress in Barcelona, we were excited to see several AI-enabled phones being introduced to the marketplace. We believe AI could propel a meaningful replacement cycle in the smartphone market, fueled by applications like real-time language translation, voice assistants, advanced camera and imaging, and on-device personalization. Over time, AI-enabled phones could drive higher levels of RF complexity, including robust connectivity, higher throughput, further integration, and lower power consumption.

Turning to our quarterly business highlights, we delivered integrated platforms to the leading 5G smartphone OEMs, including flagship and mid-tier models with Samsung, Google, Oppo, and others. We expanded our design win pipeline and initiated new programs in automotive, including infotainment systems, traction inverters, cloud-enhanced driver-assist and CV2X. We secured several audio SoC designs with Sony and Samsung.

In summary, Skyworks continues to execute well despite a challenging macro environment. While we are navigating near-term headwinds, we remain bullish on our long-term strategy.

With that, I will turn the call over to Kris for a discussion of last quarter's performance and our outlook for Q3 of fiscal 2024.



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Kris Sennesael
Senior Vice President and Chief Financial Officer

Thanks, Liam.

Skyworks' revenue for the second fiscal quarter of 2024 was \$1.046 billion, slightly above the midpoint of our outlook. Mobile was approximately 66% of total revenue, down 19% sequentially. Broad Markets were approximately 34% of total revenue, up 1% sequentially.

Gross profit was \$471 million, with gross margin at 45%, in line with expectations. Gross margin was down 140 basis points sequentially, reflecting our seasonally weakest period. Also, during Q2, we further reduced our internal inventory by \$91 million to \$836 million, which reflects five consecutive quarters of reductions.

Operating expenses were \$192 million, below the low end of the guidance range, reflecting our disciplined focus on managing discretionary expenses, while continuing to invest in our technology and product roadmaps.

We generated \$279 million of operating income, translating into an operating margin of 26.7%. We generated \$4 million of other income, and our effective tax rate was 11.3% – driving net income of \$251 million and diluted earnings per share of \$1.55, which is 3 cents above the guidance that we provided during the last earnings call.

Despite the quarterly volatility, Skyworks' business model generates strong cash flow. Second fiscal quarter cash flow from operations was \$300 million. Capital expenditures were \$28 million or less than 3% of revenue, resulting in a free cash flow of \$273 million. We continue to drive robust cash flow through high levels of profitability, prudent working capital management and moderating capex.

Also, during fiscal Q2, we paid \$109 million in dividends. Our cash balances grew to over \$1.2 billion, and we have \$1 billion in debt. Our solid capital structure provides us with excellent flexibility and optionality.

Now, let's move on to our outlook for Q3 of fiscal 2024. We anticipate revenue of \$900 million, plus or minus 2%.

We expect our mobile business to be down sequentially, below normal seasonal patterns, as excess inventory clears. In broad markets, we anticipate further modest sequential growth as inventory levels appear to be normalizing in certain end markets.

Gross margin is projected to be in the range of 45% to 47%, improving 100 basis points sequentially at the midpoint. We anticipate gross margin expansion during the remainder of 2024 driven by our cost reduction actions, favorable mix shift and higher utilization rates.

We expect operating expenses in the range of \$192 million to \$198 million, as we continue to make strategic investments in mobile and broad markets, to drive share gains and increase diversification.

Below the line, we anticipate roughly \$2 million in other income, an effective tax rate of 11.5%, and a diluted share count of approximately 161.5 million shares. Accordingly, at the mid-point of the revenue range of \$900 million, we intend to deliver diluted earnings per share of \$1.21.



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Safe Harbor Statement

Any forward-looking statements contained in this transcript are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include information relating to future events, prospects, expectations, and results of Skyworks (e.g., certain projections and business trends, as well as plans for dividend payments). Forward-looking statements can often be identified by words such as “anticipates,” “expects,” “forecasts,” “intends,” “believes,” “plans,” “may,” “will” or “continue,” and similar expressions and variations or negatives of these words. Actual events and/or results may differ materially and adversely from such forward-looking statements as a result of certain risks and uncertainties, including those identified in the “Risk Factors” section of Skyworks' most recent Annual Report on Form 10-K (and/or Quarterly Report on Form 10-Q) as filed with the Securities and Exchange Commission (“SEC”). Copies of Skyworks' SEC filings can be obtained, free of charge, on Skyworks' website (www.skyworksinc.com) or at the SEC's website (www.sec.gov). Any forward-looking statements contained in this press release are made only as of the date hereof, and we undertake no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.