



## Skyworks' Q3 FY 2024 Conference Call Prepared Remarks – July 30, 2024

**Raji Gill**  
**Vice President, Investor Relations**

Thank you, operator. Good afternoon, everyone and welcome to Skyworks' third 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 [skyworksincl.com](https://skyworksincl.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 delivered solid results for the third fiscal quarter of 2024.

We posted revenue of \$906 million, delivered earnings per share of \$1.21, and generated free cash flow of \$249 million. Revenue, gross margin and EPS met or were slightly above our prior guidance. Importantly, year-to-date free cash flow was \$1.3 billion or 40% free cash flow margin, which reflects strong working capital management and operational excellence.

In mobile, we are seeing encouraging signs that inventory levels and order patterns are normalizing.

We are energized about the prospects of generative AI catalyzing a meaningful smartphone replacement cycle and driving higher levels of RF complexity. We expect new AI features will only be available on the latest next-generation smartphones, potentially fueling a multi-year upgrade cycle.

We are uniquely positioned, given our long-standing relationships with the leading smartphone OEMs, best-in-class RF technology and a global manufacturing footprint.

In broad markets, we delivered two consecutive quarters of sequential growth since the December bottom, and we anticipate modest growth for the balance of 2024.

In edge IoT - where demand is improving - we have a strong design win funnel for Wi-Fi 7 systems, and we expect a healthy, multi-year upgrade cycle given faster data transfer speeds and lower latency.

In traditional data center and wireless infrastructure, inventory levels remain elevated, which is prolonging the recovery, as we continue to under ship natural demand. However, once industry conditions stabilize, we expect end customers to replenish inventory back to normal levels.

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Lastly, in automotive and industrial, we are working through excess inventory levels, but seeing signs of stabilization. We remain bullish on our design win pipeline across our power isolation, RF and digital broadcast solutions for the connected car and EV markets.

Over the medium-to-long-term, we believe generative AI will migrate to the edge. Most significantly, we believe the rollout of compelling AI applications will drive a smartphone replacement cycle – one that is currently the longest in history, standing at over four years.

In edge IoT, AI-enabled devices increasingly incorporate machine learning to support language and computer vision models. Robust RF is critical to facilitate the continuous training-to-inference between device and cloud.

Over time, automotive OEMs will train on big data in the cloud, and stream software downloads through over-the-air updates, supporting higher levels of autonomy in vehicles. To facilitate these trends, OEMs need power and extremely fast RF connectivity.

For next-generation data centers, complex workloads supporting large language models, will propel upgrade cycles in switch, compute and optical networks. Over the medium-to-long term, Skyworks is well positioned with our high-performance timing solutions targeting 800-gig and 1.6-terabit ethernet switches and optical modules.

Ultimately, our view is there will be a hybrid approach to AI computing: a combo of on-device and cloud-based. Data can be trained in the cloud and deployed to the edge for inference on new inputs. More complex AI tasks will be processed in the cloud and less complex, on-device.

In addition to these new usage cases, AI-enabled smartphones will further elevate the technological burden, resulting in premium for on-board space, requiring higher levels of integration and advanced packaging; energy efficiency, translating to lower power consumption; low latency, pushing the boundary of signal integrity; and, higher throughput and connectivity upgrades with 5G Advanced and 6G.

These increased technological demands play to Skyworks' strengths given our deep customer relationships, exceptional engineering talent and strong IP portfolio.

Turning to our quarterly business highlights, we secured 5G content for premium Android smartphones including Google Pixel 8a, Samsung Galaxy M, and Oppo Reno12 – among others. We supported the launches of Wi-Fi 7 tri-band routers and access points with NETGEAR, TP-Link, and Cambium Networks. We accelerated our design win pipeline in automotive, including telematics, infotainment, and CV2X.

Despite a challenging demand environment, we continue to make strategic investments in our long-term growth areas, expand our customer base and diversify the reach of the business.

With that, I will turn the call over to Kris for a discussion of last quarter's performance and our outlook for Q4 of fiscal 2024.



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**Kris Sennesael**  
**Senior Vice President and Chief Financial Officer**

Thanks Liam.

Skyworks' revenue for the third fiscal quarter of 2024 was \$906 million, slightly above the midpoint of our outlook. Mobile was approximately 61% of total revenue, down 21% sequentially. Broad markets were approximately 39% of total revenue, up 1% sequentially.

Gross profit was \$416 million, with gross margin at 46%, in line with expectations. Gross margin grew 100 bps sequentially, reflecting our ongoing cost reduction actions and favorable mix shift. Also, during Q3, we further reduced our internal inventory, resulting in six consecutive quarters of reductions.

Operating expenses were \$197 million, reflecting our strategic investments in our technology and product roadmaps.

We delivered \$219 million of operating income, translating into an operating margin of 24%.

We generated \$3 million of other income, and our effective tax rate was 12% – driving net income of \$195 million and a diluted earnings per share of \$1.21, which is in line with our guidance.

Third fiscal quarter cash flow from operations was \$274 million. Capital expenditures were \$24 million or less than 3% of revenue, resulting in a free cash flow of \$249 million. Year-to-date, we generated \$1.3 billion of free cash flow or 40% free cash flow margin.

We continue to drive robust cash flow through consistent levels of profitability, careful working capital management and moderating capex intensity.

During fiscal Q3, we paid \$109 million in dividends, and repurchased 764 thousand shares of our common stock for a total of \$77 million. Cash and investments grew to nearly \$1.3 billion, and we have \$1 billion in debt, providing us excellent optionality.

We remain committed to delivering shareholder value through a disciplined approach to capital allocation. Given our conviction in Skyworks' long-term strategic outlook and consistent strong cash generation, we announced a 3% increase to our quarterly dividend to 70 cents per share.

Now, let's move on to our outlook for Q4 of fiscal 2024. We anticipate revenue of \$1 billion to \$1 billion and \$40 million. We expect our mobile business to be up approximately 20% sequentially, as demand and supply patterns appear to be normalizing. In broad markets, we anticipate modest improvement, representing three consecutive quarters of sequential growth.

Gross margin is projected to be in the range of 46% to 47%, increasing 50 bps 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 \$197 million to \$203 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 \$3 million in other income, an effective tax rate of 12%, and a diluted share count of approximately 161 million shares. Accordingly, at the mid-point of the revenue range of \$1 billion and \$20 million, we intend to deliver diluted earnings per share of \$1.52.

Operator, let's open the line for questions.



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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.skyworksincl.com](http://www.skyworksincl.com)) or at the SEC's website ([www.sec.gov](http://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.