



Skyworks' Q1 FY 2025 Conference Call Prepared Remarks – Feb. 5, 2025

Raji Gill

Vice President, Investor Relations

Thank you, operator. Good afternoon, everyone and welcome to Skyworks' first fiscal quarter 2025 conference call. With me today for our prepared remarks is Liam Griffin, our Chief Executive Officer and President, and Kris Sennesael, Chief Financial Officer for Skyworks. Following the conclusion of the prepared remarks, Kris will be available for Q&A. This call is being broadcast 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 the 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 K. Griffin

Chief Executive Officer and President

Thanks, Raji, and welcome, everyone.

Before we get into the details of the results, I want to address the succession planning we announced today.

After an incredible twenty plus years at Skyworks, with the last nine as President and CEO, I will be stepping down. Skyworks has chosen Philip Brace, as our next President and CEO. He will join the Company on February 17, at which point I will shift to an advisory role for a few months to help ensure a smooth transition. Today we also announced that Christine King, who has been our Skyworks' Lead Independent Director, has been appointed Chairman of the Board. She is an excellent choice.

Phil's appointment follows a robust succession planning process by the Skyworks Board. Phil is an accomplished technology executive who has served as president and CEO of Sierra Wireless from 2021 to 2023. He currently serves on the Board of Directors of BlackBerry, Lantronix and Inseego. He brings a deep knowledge of the technology industry and extensive experience in scaling and leading successful businesses.

I want to offer my sincerest congratulations to Phil on his appointment and am excited for you to meet him. I look forward to watching Skyworks' business prosper under his leadership through continued innovation, ingenuity and hard work.

Let's now move into a discussion of Skyworks' first fiscal quarter of 2025.

Skyworks began the new fiscal year with solid results.

- We posted revenue of \$1.068 billion,
- We delivered earnings per share of \$1.60,

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- And generated free cash flow of \$338 million.
- Revenue, gross margin and EPS met or exceeded the mid-point of our guidance.

In Mobile, our revenue grew 6% sequentially, as we successfully supported multiple product launches across our top mobile customers. The global adoption of generative AI on smartphones is still in its nascent stage. We anticipate this to be a multi-year trend that will catalyze smartphone upgrades and increase the complexity and requirements for RF solutions.

In Broad Markets, we have experienced modest growth for four consecutive quarters.

We anticipate further growth as demand signals and backlog improve. In certain segments, supply and demand dynamics are in equilibrium, and channel inventories have normalized. Meanwhile, industrial and infrastructure remain subdued due to persistent inventory challenges.

Overall, we are encouraged by the recent momentum in Broad Markets and are energized about new product cycles in automotive electrification, edge IoT and AI data center, fueling long-term growth.

In edge IoT, we are observing higher levels of intelligence and combined with more nodes being added to the edge of the network driving higher levels of RF complexity. Artificial intelligence and machine learning increases the range of functionality, running models like voice and computer vision. RF connectivity is the conduit for secure, robust and lower power AI applications.

Moreover, the adoption of Wi-Fi 6e and 7 systems by customers is contributing to the improvement in demand. These systems, characterized by enhanced complexity and utilization of additional bands, enable transmission of higher-value content. We are currently in the emerging stages of a multi-year upgrade cycle, with Wi-Fi 7 shipments experiencing a ramp-up.

We are seeing growth in wireless gaming, wireless home audio and wireless headsets where customers are adopting Skyworks' connectivity and audio technology.

In Automotive, we returned to year-over-year growth despite a soft demand environment, as design wins in the connected car, onboard charging and infotainment are gradually converting into revenue.

Specifically, we expect our RF content per vehicle to grow, driven by:

- 5G cellular
- Wi-Fi
- Bluetooth
- And V2X

Lastly, the industrial segments remain a headwind as we continue to undership demand.

Turning to our quarterly business highlights:

We secured 5G content for premium Android smartphones including:

- Samsung Galaxy
- Xiaomi
- Asus – and several others.

We supported Gemtek's launch of the first AI router with voice-enabled AI-powered healthcare service.

We enabled Asus's award-winning quad-band Wi-Fi 7 gaming routers and expanded our design win pipeline in automotive with cellular connectivity and power management solutions.



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With that, I will turn the call over to Kris for a discussion of last quarter's performance and our outlook for Q2 of fiscal '25.

Kris Sennesael
Senior Vice President and Chief Financial Officer

Thanks Liam.

Skyworks' revenue for the first fiscal quarter of 2025 was \$1.068 billion, slightly above the midpoint of our outlook.

Mobile revenue was 67% of total revenue and increased 6% sequentially, as we successfully supported multiple product launches.

Broad Markets was up slightly sequentially and returned to year-over-year growth at 2%. Q1 FY25 marked the fourth consecutive quarter of modest sequential growth since the Q1 FY24 bottom, despite a muted demand environment and ongoing inventory digestion across selective end markets.

Gross profit was \$497 million, with gross margin at 46.5%, in line with expectations. Also, during Q1, we further decreased our internal inventory slightly below \$700 million, resulting in eight consecutive quarters of reductions.

Operating expenses were \$212 million, reflecting our strategic investments in our technology and product roadmaps. We delivered \$285 million of operating income, translating into an operating margin of 27%.

We generated \$9 million of other income, and our effective tax rate was 12.2%, driving net income of \$258 million and diluted earnings per share of \$1.60, three cents above our guidance.

For the first quarter of fiscal 2025, we demonstrated robust cash generation, with operating cash flow of \$377 million, capital expenditures of \$39 million, and a free cash flow of \$338 million, representing a 32% free cash flow margin.

During fiscal Q1, we distributed \$112 million in dividends. Our cash and investment balance increased to approximately \$1.75 billion, while we maintain a debt level of \$1 billion, providing us with ample financial flexibility.

Now, let's move on to our outlook for Q2 of fiscal 2025:

We anticipate revenue of \$935 million to \$965 million.

We expect our mobile business to decline mid-to-high teens sequentially, in line with historical seasonality.

In broad markets, we anticipate additional sequential growth, and a further improvement in year-over-year growth. We are seeing positive momentum in booking trends, backlog and sell-through patterns across Broad Markets. However, inventory headwinds remain acute in industrial and infrastructure.

Gross margin is projected between 45.5% and 46.0%, which is seasonally adjusted for lower sales volume.

We anticipate operating expenses in the range of \$220 million to \$228 million, utilizing our robust cash flow generation to invest in technology and product roadmaps. The sequential increase is mostly driven by a reset of the social charges at the beginning of the calendar year, as well as an increase in R&D project expenses.

Below the line, we anticipate \$6 million in other income, an effective tax rate of 12% to 12.5%, and a diluted share count of approximately 158.5 million shares. Accordingly, at the mid-point of the revenue range of \$950 million, we intend to deliver diluted earnings per share of \$1.20.



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Finally, our board of directors has approved a new \$2 billion stock repurchase program as part of our disciplined capital allocation strategy.

Before moving into Q&A, I want to briefly reflect on our business and address our strategic partnership with our largest customer.

Over the past 25 years, we have built a strong technology company, a leader in RF connectivity for mobile solutions, and expanded those RF capabilities with analog and mixed signal expertise, in our growing broad markets business.

And over the last 18 years, we have benefitted from a truly collaborative partnership with our largest customer, who has constantly pushed us to develop innovative, high performance and highly integrated RF solutions. We have partnered with that customer since the launch of their first phone, which has resulted in significant content and revenue growth over the years.

However, the last couple years have been challenging as the competitive landscape has intensified.

As it relates to the upcoming phone cycle, expected to be launched in the fall of 2025, the Skyworks team developed a suite of high-performance RF solutions.

Despite our rich product offering, we did not get the result that we targeted. Although we were able to secure multiple sockets, including several highly integrated RF modules, our content position is expected to be down 20% to 25%. This decline will start impacting our revenue in the 4th quarter of fiscal '25, and throughout fiscal '26.

While we are disappointed with this outcome, we remain steadfast in our commitment to invest and innovate around our technology roadmaps. We have already started the development of a new suite of solutions for the next generation phone, with an expanding set of products, and addressing more opportunities than ever before.

In addition, we will continue to pursue growth opportunities with our other mobile customers, although on a selective basis, focusing on those segments of the market that demand high performance RF. And, we will continue to drive our diversification strategy, supported by multiple secular growth trends in broad markets. We expect those opportunities to partially offset the revenue decline at the large customer in FY26 and position us for growth in FY27.

Now let me hand it back to Liam for some final remarks.

Liam K. Griffin
Chief Executive Officer and President

To wrap it up, I would like to thank all of our Skyworks' employees and stakeholders for their support during the last 25 years – it has truly been a privilege and the highlight of my career to lead this company.

I strongly believe the Skyworks team, with support of our board of directors, and under new leadership, will execute on this strategic path of profitable growth.

I will turn it over to Kris now, who will be taking Q&A this quarter.

Kris Sennesael
Senior Vice President and Chief Financial Officer

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 and our CEO transition). 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) or at the SEC's website (www.sec.gov). Any forward-looking statements contained in this transcript 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.