



Skyworks' Q2 FY 2025 Conference Call Prepared Remarks – May 7, 2025

Raji Gill

Vice President, Investor Relations and Corporate Development

Thank you, operator. Good afternoon everyone and welcome to Skyworks' second fiscal quarter 2025 conference call. With me today for our prepared remarks is Phil Brace, our Chief Executive Officer and President, and Kris Sennesael, Chief Financial Officer for Skyworks. 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 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, today's discussion will 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 Phil.

Phil Brace

Chief Executive Officer and President

Thanks, Raji, and welcome, everyone.

I am excited to join you today for my first earnings call as CEO of Skyworks. Over the past few months, I have engaged with our customers, partners, employees and shareholders, and I am energized by the opportunities ahead.

Since stepping into the role, I've spent time getting to know our teams across the company, and I've been incredibly impressed by the depth of talent and expertise throughout the organization. We have some of the smartest engineers I've ever worked with, and there's a real energy and passion for innovation you can feel everywhere. There's also a competitive edge and hunger to win. It's been exciting to jump in and be part of such a strong and capable team.

Skyworks sits at the center of the wireless revolution, backed by a rich history in RF innovation. Our proprietary technologies power some of the most demanding connectivity platforms in the world—from 5G and Wi-Fi to automotive and edge IoT—and we're continuing to push the bounds of what's possible.

Now let's review our fiscal Q2 results. Skyworks delivered solid performance driven by our diversified portfolio and disciplined execution. We posted revenue of \$953 million, delivered earnings per share of \$1.24, and generated free cash flow of \$371 million. Revenue, gross margin and EPS exceeded the mid-point of our guidance. We returned a record \$600 million to shareholders through share repurchases and dividend payments—the highest amount ever. This underscores our confidence in our long-term outlook, as well as our commitment to delivering value to shareholders.



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Let's provide some additional color on the business. In mobile, we experienced typical seasonal patterns during the March quarter, while executing on multiple new product launches with our leading mobile customers. Smartphones are evolving with AI, driving more uplink-intensive workloads like real-time voice processing and enhanced imaging. Over time, this trend should drive higher transmit power, better efficiency, and expanded uplink MIMO—areas where Skyworks is strongly positioned.

In our diversified businesses, we've seen a steady recovery underway for more than a year, with five consecutive quarters of sequential revenue growth and two quarters of positive year-over-year comparisons. This improvement is being driven by strength in automotive, edge IoT, and Wi-Fi 7 adoption across consumer and enterprise devices. Demand signals are firming, bookings are improving, and in most segments we're seeing inventory normalization across the distribution channel.

In Edge IoT, Wi-Fi 7 adoption is accelerating to meet real-time demands like high-resolution video and smart sensors. Its advanced capabilities are driving greater RF content per system, creating strong momentum for our connectivity portfolio. In addition, we've already begun early development on Wi-Fi 8 to solidify our technology leadership in the next-generation of wireless connectivity.

In Automotive, the move to software-defined vehicles is driving the need for robust wireless connectivity. As these vehicles rely on over-the-air updates, real-time sensor data processing, and interconnectivity between vehicle systems, the RF content should also scale up.

Lastly, as AI drives more complex data center workloads, the need for tighter integration between timing devices and processors is growing. While still early, we see a long-term opportunity to capitalize on this trend with our precision timing portfolio.

Overall, we're encouraged by the momentum in our diversified businesses. Our position in next-generation product cycles — from automotive connectivity to edge IoT to timing— reinforces our long-term trajectory.

Turning to our quarterly business highlights, we secured design wins across 5G premium Android smartphones, and for in-vehicle infotainment systems with major OEMs. We also expanded Wi-Fi 7 across enterprise access points, routers and home mesh networks.

Before I turn the call over to Kris for a discussion of last quarter's performance and outlook for Q3 of fiscal '25, I would like to highlight some changes to the executive leadership team.

First, Mark Dentinger will be succeeding Kris as the CFO of Skyworks effective June 2, 2025. Mark brings significant CFO-level and strategic experience across the technology sector. His deep expertise and proven track record make him a strong addition to Skyworks' leadership team. Kris will be stepping down to pursue another professional opportunity. On behalf of the entire board and everyone at Skyworks, I would like to thank him for his valuable contributions and wish him success in his new endeavors.

Second, Todd Lepinski will be succeeding Carlos Bori as Skyworks' Senior Vice President, Sales and Marketing effective June 2, 2025. Todd brings experience driving global revenue growth and building high-performance teams in the semiconductor and technology sectors. Carlos will be shifting to an advisory role to help ensure a smooth transition. I'm looking forward to partnering with Mark and Todd and leveraging their strong leadership capabilities as we execute on our long-term strategic initiatives.



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Kris Sennesael
Senior Vice President and Chief Financial Officer

Thanks Phil.

First of all, I would like to thank all Skyworks stakeholders, including the board, the executive team and employees around the world, for many years of strong collaboration. It's been an honor and privilege to serve as Skyworks' CFO for the last 8 years. I only worked for a short period of time with Phil, but I know that under his leadership, with the help of Mark and Todd, and the rest of the executive team, Skyworks will prosper in the years ahead.

Now let's turn to the quarterly results. Skyworks' revenue for the second fiscal quarter of 2025 was \$953 million, above the midpoint of our outlook. Mobile revenue was 62% of total revenue, down 17% sequentially, consistent with historical seasonal patterns, as demand normalizes following peak holiday shipments.

Revenue from our Broad Markets portfolio — which includes edge IoT, automotive and industrial, and infrastructure, networking, and cloud —increased 2% sequentially and grew 3% year-over-year, marking our fifth consecutive quarter of growth, since reaching a cyclical low in the December quarter of 2023. This sustained momentum reflects the expanding diversification of our business, even amid a volatile macro environment and ongoing inventory digestion in certain end markets.

Gross profit was \$445 million, with gross margin at 46.7%, exceeding our expectations, driven by favorable mix, continued execution on our cost reduction initiatives and operational efficiencies. We also made further progress in improving our working capital position, marking our ninth consecutive quarter of inventory reduction.

Operating expenses were \$223 million, aligned with our strategic priorities. These investments support our long-term technology and product roadmaps. Looking ahead, we remain focused on striking an appropriate balance — investing in innovation and strategic market expansion, while maintaining cost controls to protect and grow profitability.

We delivered operating income of \$222 million, translating into an operating margin of 23.3%, demonstrating financial discipline as we invest for growth. We generated \$5 million of other income, and our effective tax rate was 13.4%, driving net income of \$197 million and diluted earnings per share of \$1.24, four cents above our guidance.

We demonstrated robust cash generation, with operating cash flow of \$410 million, capital expenditures of \$39 million, and a free cash flow of \$371 million, or a 39% free cash flow margin. Our ability to consistently convert earnings into cash is a cornerstone of our financial strategy.

Throughout the second fiscal quarter, we remained committed to disciplined capital allocation, returning value to shareholders through both dividends and share repurchases.

During fiscal Q2, we distributed \$111 million in dividends and repurchased 7.4 million shares of our common stock for a total of \$500 million, translating to over \$600 million capital return to shareholders - the largest quarterly return ever. After the end of the quarter and through May 2, we repurchased an additional 3.6 million shares of our common stock for a total of \$212 million, under an established 10b5-1 program.

At quarter-end, we maintained a solid cash position and a well-structured balance sheet, with over \$1.5 billion in cash and investments and \$1 billion in debt, providing us with financial strength and flexibility to support both near- and long-term priorities. We view our strong balance sheet and consistent free cash flow as key strategic assets.



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Before we go into the details of our outlook for Q3 of fiscal 2025, I'd like to briefly address the recent macro-economic and tariff developments.

While the evolving tariff landscape presents new complexities, we believe our diversified global supply chain positions us to navigate potential disruptions. As this is a dynamic environment, we will continue to actively monitor the situation.

With that context, for the third quarter of fiscal 2025, we anticipate revenue of \$920 million to \$960 million. We expect our mobile business to decline low single digits sequentially, in line with typical seasonal patterns. Broad markets remain on track for another quarter of sequential growth, with year-over-year trends accelerating. We are encouraged by improving bookings, backlog and channel-sell through. Gross margin is projected to be between 46% and 47%.

We anticipate operating expenses in the range of \$220 million to \$230 million, as we continue to invest in our technology and product development roadmaps – fueled by our strong cash flow generation.

Below the line, we anticipate \$5 million in other income, an effective tax rate of approximately 13%, and a diluted share count of approximately 152 million shares. Accordingly, at the mid-point of the revenue range of \$940 million, we intend to deliver diluted earnings per share of \$1.24.

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

Phil Brace
Chief Executive Officer and President

Thank you, Kris.

As we wrap up, I want to take a moment to reflect on some key business initiatives.

First, we must reinforce our leadership position in mobile, focusing on what we do best: developing the most innovative solutions in the industry, and delivering the highest performance RF products to our customers. Second, accelerate the growth in our diversified businesses. Third, optimize operational efficiency with cost discipline and gross margin improvements.

Before I close, I want to thank our employees for their incredible dedication, and our customers and partners for their continued trust and collaboration.

Operator, let's open the line for questions.

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 senior management transitions). 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 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.