Skyworks' Q3 FY 2025 Conference Call Prepared Remarks – Aug. 5, 2025

Raji Gill
Vice President, Investor Relations and Corporate Development

Thank you, operator. Good afternoon, everyone and welcome to Skyworks' third fiscal quarter 2025 conference call. With me today for our prepared remarks is Phil Brace, our Chief Executive Officer and President, and Rob Schriesheim, Interim 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.

Skyworks delivered strong results this quarter, fueled by an upside in mobile and sustained strength across broad markets.

- We posted revenue of $965 million,
- Delivered earnings per share of $1.33,
- And generated free cash flow of $253 million.
- Revenue, gross margin and EPS exceeded the high-end of our guidance.
- We returned $430 million to shareholders this quarter through share repurchases and dividends, and more than $1 billion across the past two quarters – supported by strong free cash flow and disciplined working capital management.

In Mobile, revenue came in above seasonal trends, with strength continuing into the September quarter, supported by healthy sell-through at our top customer and new product launches in Android. While end demand signals remain solid, we're actively monitoring the channel and are maintaining a disciplined approach to inventory.

Looking ahead, we see multiple drivers of long-term RF content growth, including opportunities from internal modem adoption, higher RF complexity with AI features, and a larger addressable footprint within the smartphone.

At the same time, we'll continue to deliver more performance in smaller form factors, enabling richer features within current sockets.

Smartphone replacement cycles remain historically long, now averaging over four years, even as our top customer maintains a record installed base. The first wave of AI-capable phones is reaching scale, and early demand signals are encouraging. As AI capabilities become more intuitive and integrated, we believe this could drive an inflection in upgrade cycles, leading to a potential tailwind to volumes and content over time.

Our deep RF expertise, strong customer relationships, and advanced manufacturing put us in a strong position to lead through this next phase.

Broad Markets continue to gain momentum driven by new customer engagements across edge IoT and automotive. We are seeing stronger order flow, healthy book-to-bill levels and lean channel inventory.

In Edge IoT, Wi-Fi 7 adoption is accelerating across consumer, enterprise, and industrial applications. These systems demand faster speeds and ultra-low latency, translating to greater RF complexity. Looking ahead, we're already investing in Wi-Fi 8 to support the next wave of performance.

Automotive remains a key growth driver for Skyworks, supported by long-design cycles that offer greater visibility and more durable revenue streams. We broadened our reach across a growing roster of global OEMs, securing programs with BYD, Ford, Geely, Nissan and others. As vehicles become more software-defined and connected, the need for secure wireless links continues to grow — from 5G telematics to over-the-air updates and infotainment, all of which increase our content opportunity.

In traditional data center and infrastructure, business activity is rebounding as inventory normalizes. Meanwhile, accelerating AI workloads are driving upgrades to 800G and 1.6 TB switches, increasing demand for our precision timing solutions.

Altogether, Broad Markets is becoming a stronger, more resilient growth engine for Skyworks, and we expect this momentum to continue with both sequential and year-over-year growth in the September quarter.

In aggregate, this is a $1.5 billion business with a double-digit long-term growth profile and gross margins above the corporate average – a core part of our portfolio that we believe remains underappreciated relative to its scale and contribution.

Today, we're taking action to optimize our manufacturing footprint with the planned closure of our Woburn manufacturing facility and the consolidation of operations into our Newbury Park site. This move is designed to drive higher fab utilization, lower fixed costs, and improve overall efficiency in the future. As our product mix shifts toward more advanced, higher-value content, this consolidation positions us to expand gross margins over time while reinvesting in next-generation technologies and maintaining the scale and technical capability required to serve our premium customers at the highest levels.

Before we dive into the numbers, I want to welcome Rob Schriesheim to the team in his role as Interim CFO. Rob has served on the Skyworks Board for nearly 20 years and knows our business, strategy and leadership team exceptionally well. His appointment ensures continuity as we move through this transition. On the CFO search, we've been taking a deliberate approach and have a number of strong candidates in the pipeline. I expect the process to conclude shortly. With that, I'll turn the call over to Rob for a discussion of last quarter's performance and outlook for Q4 of fiscal '25.

Rob Schriesheim
Interim Chief Financial Officer

Thanks, Phil. It's a privilege to step in as Interim CFO and support the Skyworks team during this transition. Having served on the Board for nearly two decades, and being a shareholder, I know the company well and have confidence in our strategy, our financial discipline, and our long-term growth opportunities.

Turning to our third fiscal quarter results. Skyworks delivered revenue of $965 million, exceeding the high end of our guidance range. During the quarter, our largest customer accounted for about 63% of revenue.

Mobile represented 62% of total revenue, up 1% sequentially and 8% year-over-year, driven by stronger sell-through at our top customer and new product launches in Android.

Broad Markets—which includes edge IoT, automotive, industrial, infrastructure, and cloud—grew 2% sequentially and 5% year-over-year. This marks the sixth consecutive quarter of growth and reflects stronger end demand and further inventory normalization across key verticals.

Gross profit was $454 million, with gross margins of 47.1%—above expectations, driven by product mix and ongoing cost discipline. We see further opportunities to expand margins over time as we execute on our manufacturing efficiency roadmap.

Operating expenses totaled $230 million, aligned with our long-term product roadmap. We remain disciplined with spend, balancing investment in future growth with prudent cost management.

Operating income reached $224 million, translating to an operating margin of 23.3%. Other income was $1 million and our effective tax rate was 11.2%, resulting in net income of $200 million and diluted earnings per share of $1.33—nine cents above our guidance.

Cash flow remained strong, with operating cash flow of $314 million and capital expenditures of $61 million, resulting in free cash flow of $253 million, or 26% of revenue. Over the past two years, our free cash flow has benefited from effective working capital management, as we've reduced inventory levels.

We returned $430 million to shareholders during the quarter—comprised of $104 million in dividends and $330 million in share repurchases. Over the past two quarters, we've returned more than $1 billion to shareholders.

We ended the quarter with $1.3 billion in cash and investments and $1 billion in debt, maintaining a strong balance sheet and ample flexibility to support our strategic and financial priorities.

Looking ahead to the fourth quarter of fiscal 2025, we expect revenue to range between $1 billion to $1 billion and 30 million.

In Mobile, we anticipate mid-single digit sequential growth. We're seeing healthy sell-through, lean channel inventories and solid order visibility heading into the September quarter.

Broad Markets is set to grow again this quarter, with year-over-year trends accelerating and continued strength in bookings, backlog, and channel sell-through.

Gross margin is projected to be approximately 47%, plus or minus 50 basis points, reflecting the stable product mix and ongoing cost discipline.

We expect operating expenses between $235 million and $245 million, as we continue to fund key R&D initiatives while maintaining tight control over discretionary spend. As a reminder, the September quarter includes a 14th week, which adds about $7 million incremental expenses.

Below the line, we anticipate approximately $4 million in other income, an effective tax rate of 13%, and a diluted share count of 149.5 million shares. At the midpoint of our revenue outlook, this equates to expected diluted EPS of $1.40.

With that, I'll turn it back to Phil for closing remarks.

Phil Brace
Chief Executive Officer and President

Thank you, Rob.

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.