NASDAQ:CEVA Q4 2025 Earnings Call Transcript

Generated on 11/25/2026

Operator | Conference Operator:

Good day, and welcome to the SEVA Inc. Fourth Quarter and Year-End 2025 Earnings Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then one on a touch-tone phone. To withdraw your question, please press star then two. Please note this event is being recorded. I would now like to turn the conference over to Richard Kingston, Vice President of Market Intelligence and Investor Relations. Please go ahead.

Richard Kingston | Vice President of Market Intelligence and Investor Relations:

Thank you, Betsy. Good morning, everyone, and welcome to SEVA's fourth quarter and full year 2025 earnings conference call. Joining me today on the call are Amir Panoush, Chief Executive Officer, and Yaniv Ariely, Chief Financial Officer of SEVA. Before handing over to Amir, I would like to remind everyone that today's discussion contains forward-looking statements that involve risks and uncertainties, as well as assumptions that if they materialize or prove incorrect, could cause the results of SEVA to differ materially from those expressed or implied by such forward-looking statements and assumptions. We will also be discussing certain non-GAAP financial measures, which we believe provide a meaningful analysis of our core operating results and comparisons of quarterly results. Please see the earnings release we issued this morning for our reconciliations of our non-GAAP financial measures. Our earnings release can be found in the SEC filing section of our investor relations website. And with that said, I'd like to turn the call over to Amir, who will review our business performance for the quarter and provide some insight into our ongoing business. Amir?

Amir Panoush | Chief Executive Officer:

Thank you, Richard. Welcome, everyone, and thank you for joining us today. 2025 was a landmark year for SIVA. We strengthened our foundation, reinforced our leadership position in wireless connectivity, and accelerated our expansion into AI for the smart edge. Throughout the year, we continued executing on our long-term strategy, partnering closely with customers to solve their most critical technology challenges through a comprehensive best-in-class portfolio of IP platforms that enable smart edge devices to connect, sense, and infer data locally. This strategy matters now more than ever. The shift of AI inference from the cloud to the edge and toward hybrid AI continues to accelerate. And the next wave of innovation is increasingly about physical AI, where devices must connect to and sense their environment, process data locally, and infer in real time to make decisions. Siva is uniquely positioned for the physical AI era. By offering a comprehensive portfolio of IP building blocks spanning connect, sense, and infer use cases, we provide the flexibility our customers need Whether licensed individually or in multi-IP configurations, these technologies drive superior customers' outcomes and strengthen our long-term economic model. Before reviewing the year and our key achievements, I'll first provide an overview of our fourth quarter performance. For the fourth quarter, we delivered the highest quarterly revenue in SIVA's history, which was 7% higher year-over-year excluding the intrinsic design services business, which we divested in 2023. Licensing revenue increased 11%, exceeding our expectation through strong execution across all three of our technology's pillars and reflecting broad demand across multiple end markets. In the quarter, we signed 18 licensing agreements, including three NPU licensing deals, multiple Wi-Fi 7 and combo connectivity wins, and a meaningful software

engagement, reinforcing the breadth of our portfolio. Of the 18 deals signed, five were with OEMs. Turning to licensing highlights regarding AI, we reached one of the most significant AI milestones for SIVA to date during the fourth quarter, signing an NPU licensing agreement with one of the world's leading PC OEMs developing its next-generation AI personal compute architecture. Their selection of Civa's Newport NPU portfolio is a strong validation of our technology and represents a breakthrough for on-device AI adoption in the PC category. This win underscores our ability to set the standards for high-performance AI integration into next-generation computing. This partnership is strategically important on two fronts. First, it demonstrates top-tier customers' trust in SIVA's leading and optimized IP foundations to their AI roadmaps, allowing them to focus their engineering talent on software, model optimization, and user experience differentiation. Second, it confirms that the PC ecosystem has reached a tipping point where dedicated NPUs are a baseline requirement for competitive AI performance. As AI features proliferate across operating systems, creative workflows, productivity applications, and local LLM acceleration, the ability to deliver superior performance per watt is the new strategic differentiator, and SIVA is a key player in this transition. Importantly, Our AI momentum is also increasingly reflected in our financial mix as well as deal activity. AI processor licensing represented a meaningful portion of our licensing revenue in 2025. While AI design cycles can be longer than traditional connectivity deployments, disagreements typically carry higher pre-unit and longer-term royalty potential. expanding content per device, and strengthening the durability of our royalty model over time. As for licensing highlights in connectivity, our connectivity business delivered another strong performance in the fourth quarter, highlighting the depth and durability of our wireless franchise. Bluetooth and Wi-Fi IPs continue to see strong demand as customers upgrade to Wi-Fi 7 and Bluetooth high data throughput. This quarter's deals include Wi-Fi 7 for IoT, a multi-use Bluetooth HDT agreement, and three Bluetooth Wi-Fi combo wins. One notable win was with the semiconductor division of one of the world's largest white goods manufacturers, which licensed our Wi-Fi 6 and Bluetooth IP for a combo connectivity chipset, supporting smart home applications. This illustrates a broader trend. Consumer, industrial, and automotive OEMs are increasingly designing their own connectivity silicones to deliver tightly integrated, app-centric experiences, and selecting SIVA as a trusted partner for roadmap critical platforms. As for SendSync, another standout deal in the fourth quarter was a software licensing agreement with a leading TV platform planning to integrate our motion engine technology into its smart TV operating system used by multiple global TV brands. As TVs evolved into interactive experience hubs, motion-based inputs and enhanced user interactions are becoming increasingly important. SIVA's longstanding presence in this market provides deep domain expertise and platform credibility. Now turning to royalties, This was our strongest royalty quarter in more than four years. We also caused our diversified smart edge royalty customers more than offset mobile softness, underscoring the strengths and resilience of our business model. In the fourth quarter, Wi-Fi shipments reached a record high, up 31% year over year, reflecting increased deployment, often as part of combo connectivity chips. Cellular IoT shipments were up 30% year-over-year, driven by smart edge applications, and Bluetooth shipments continue to be our largest volume category. We also saw a recovery from China-based handset customers during the quarter. However, memory pricing and supply constraints continue to impact smartphone shipments. Now turning for the full year 2025 review. For the full year, total revenue increased 2% year-over-year. Licensing and related revenue grew 6%, reflecting strong demand across AI and advanced connectivity. Royalty revenue was down 2%, primarily due to smartphone softness and memory supply shortage impacting overall unit achievement. Importantly, royalties grew sequentially each quarter and we exited the year with our strongest royalty quarter in more than four years. SIVA power devices shipped in 2025 reached a record 2.1 billion units, up 6% year-over-year, with record Wi-Fi shipments, which grew 48% year-over-year, and record cellular IoT shipments, up 42% year-over-year. Overall, we signed 54 licensing agreements in 2025 across our extensive IP portfolio, including 10 OEMs agreements. Importantly, 12 customers licensed multiple SIVA technologies, a clear indication that our strategy to offer a broad portfolio across Connect, Sense, and Infer is resonating and enabling customers to address multiple requirements within a single engagement. Taking a step back, 2025 features several important milestones that reinforce our long-term opportunities. The strength of our connectivity franchise is defined by deep customer integration and scale. During the year, we signed nearly 30 new engagements for our Bluetooth and Wi-Fi IPs, underscoring continuous relevance across smart edge markets. We also secured Wi-Fi 7 agreements with two of our largest connectivity customers, who together have shipped more than 3 billion civil power devices,

effectively establishing long-lived royalty engines that we expect to drive billions of units and tens of millions of dollars in royalties over the life of these programs. In addition, our ability to deliver integrated combo solutions continues to differentiate us and improve data economics over time. 2025 was a breakthrough year for SILVA in AI and NPU licensing. During the year, we signed 10 Newport NPU agreements, headlines by comprehensive Newport portfolio license with Microchip and a strategic engagement with a leading global PCOEM, underscoring our attraction across embedded consumer automotive, industrial, and compute markets. This momentum is increasingly reflected not only in deal activity, but also in our financial mix, with AI processor licensing representing a meaningful portion of licensing revenue in 2025. Strategically, the licensing agreements we signed during 2025 are building long-term royalty trajectory and visibility. Based on these science agreements, and our insights into customers' roadmaps, we estimate that they represent an aggregated lifetime royalty potential of $125 million over their expected product life. While this value will be realized over multiple years and is dependent on customers' deployment and market adoption, the magnitude of this opportunity relative to our current royalty base underscores the strength, durability, and accelerating momentum of the licensing and royalty flywheel we are building. In terms of scale and credibility, we celebrated reaching 20 billion cumulative SIVA power devices shipped to date during the year, and in fact, exceeding 21 billion cumulative units by the end of the fourth quarter. These milestones reflect the trust we have built with the industry over decades and positioned SIVA strongly for the physical AI era now underway. A key strength of our business that is often underappreciated is our diversification across smart edge and markets. In 2025, smart edge applications generated 86% of total revenue, driven by market share gains by SIVA-powered customers across consumer, automotive, industrial, and infrastructure markets. As intelligence continued to move into physical devices, this diversified and expanding customer footprint positioned SIVA to evolve naturally from enabling the smart edge to enabling physical AI, where connectivity, sensing, and inference converge to drive the next phase of growth. Entering 2026, we are focused on extending our leadership in established categories and deepening our integration with our customers' roadmaps. By providing a more complete IP stack, we are becoming an even more essential partner to our customers, effectively increasing the value per device. Now, I will turn the call over to Yaniv to review the financials.

Yaniv Ariely | Chief Financial Officer:

Thank you, Amir. Good morning. I'll now start reviewing the results of the operations for the fourth quarter of 2025. Revenue for the fourth quarter increased 7% year over year and 10% sequentially to an all-time record high of $31.1 million. The revenue breakdown is as follows. Licensing and related revenue increased 11% year over year and 9% sequentially to $17.5 million, reflecting 56% of our total revenue. Royalty revenue increased 2% year-over-year and 12% sequentially to $13.8 million, reflecting 44% of our total revenue. Quarterly gross margin were 88% on GAAP basis and 89% on non-GAAP basis. Total gap operating expenses for the fourth quarter were $28 million, and total non-gap operating expenses for the fourth quarter, excluding equity-based compensation expenses, amortizations of intangibles, and deal costs, were $22.2 million. Gap operating loss for the fourth quarter was $0.4 million, as compared to gap operating income of $0.1 million for the same period last Non-GAAP operating margins and income were 18% of revenue and $5.7 million and grew 20% and 26% year-over-year, respectively, as compared to non-GAAP operating margins of 15% and non-GAAP operating income of $4.5 million recorded for the fourth quarter of 2024, respectively. Financial income was $1.4 million compared to a net loss of $0.1 million for the fourth quarter of last year. Gap and non-gap taxes were approximately $2.2 million, higher than our guidance of $1.8 million, and affected by the first tax asset write-off associated with the utilization, limitation of withholding taxes, and from a regular geography relocation of revenue recognized from deals and royalty revenues in the quarter. Gap net loss for the fourth quarter was $1.1 million and diluted loss per share 4 cents as compared to a net loss of $1.7 million and diluted loss per share of 7 cents for the fourth quarter of 2024. Non-gap net income and non-gap diluted income per share for the fourth quarter of 25, increased 86 and 71% to $4.9 million and 18 cents year-over-year, respectively. Compared to non-GAAP man income of $2.7 million and non-GAAP diluted income per share of 11 cents for the fourth quarter of 24. With respect to other related data, shipped 606 million units of SIVA power devices, down 3% from the fourth quarter of last year. Of the $606 million

reported, 108 million units, or 18%, were for mobile handset modems. 479 million units were for consumer IoT products, up from 459 million for the fourth quarter of last 19 million units were for industrial IoT products, down from 35 million units in the fourth quarter of last year. Bluetooth shipments were 303 million units for the quarter, down from 343 million units in the fourth quarter of 24. IoT shipments were a quarterly record 60 million units, up 30% year-over-year. and our Wi-Fi shipments were a record 86 million units, up 30% year-over-year. As for the year, total unit shipments were a record 20.1 billion devices in 2025, up 6% year-over-year, which is equivalent to approximately 66 SEMA-powered devices sold every second in 2025. Annual modem shipments were down 18% year-over-year to 280 million units, reflecting softness in smartphones. Bluetooth shipments were 1.1 billion units, similar to last year. Annual consumer IoT related shipments were 1.7 billion units, up 14% year-over-year. Annual industrial IoT-related shipments were 87 million units, down 31% year-over-year. Wi-Fi, cellular IoT, and audio AI shipments all showed strong year-over-year growth of north of 40% each. In terms of royalty contributions, Wi-Fi royalties were up 70% year-over-year, reflecting higher volumes and ASPs from our Wi-Fi 6 customers and cellular IoT royalties were up 20% year-over-year. On an annual financial metrics, revenue increased 2% to $109.6 million, in line with our updated outlook we shared in May last year. Non-GAAP gross profit remained strong at 88%. Our non-GAAP net income increased 20% year-over-year, and diluted EPS increased 17% year-over-year, all contributing to sustainable and gradual growth and profitability. As for the balance sheet items, at the end of the year, cash, cash equivalent, balances, marketable securities, and bank deposits were approximately $222 million. In the fourth quarter, we successfully executed a $3.5 million share follow-on offering for approximately $63 million net to strengthen our balance sheet. Our DSAs for the fourth quarter were 57 days. And during the fourth quarter, we generated $8.7 million of cash from operating activities. Our ongoing depreciation and amortization was $1.1 million. And purchase of fixed assets was $1.5 million. At the end of the fourth quarter, our headcount was 424 people, of whom 343 were engineers. Now for the guidance. Amir highlighted our achievements in 2025 and the strong fundamentals we have in place to build long-term growth and profitability. From a financial perspective, this execution translates into solid progress across key metrics with annual non-GAAP net income increasing 20% year-over-year and non-GAAP fully diluted EPS growing 17%. These results were supported by record high revenues in the fourth quarter of 25 and non-GAAP operating margin of 18%, reflecting both operating discipline and improving mix. Building on the consistent progress we have made over the last two years gives us the confidence as we enter into 2026. which we view as another year of growth across multiple financial and business dimensions. In licensing and related revenues, we expect growth to be driven by continued expansion of AI adoption across multiple industries, an increasing mix of higher value, more integrated engagements, and our leadership in wireless connectivity supported by diversified product portfolio of connectivity, AI, and sensing IPs. On the royalty side, we are encouraging momentum across our connectivity product lines, including 5G handset modems, Bluetooth, Wi-Fi, and cellular IoT as deployment broaden and program license in recent years continue to ramp. While we do not have the control and the precise timing of royalty growth and continue to monitor factors such as memory pricing and the broader market condition, the underlining trajectory for our business and our diversified end market exposure positions us well moving into 2022. On an annual basis, our total revenue is expected to grow 8% to 12% over 2025, with lower growth in the first half of the year and higher in the second half, similar to prior years and seasonal trends, and subject to the memory pricing fluctuation and supply challenges. On the expense side, we continue to demonstrate strong cost disciplines and operating leverage. Excluding currency impacts, our overall 2026 non-GAAP expense base, including both cost of goods and operating expenses, is expected to increase in the range of 1% to 3%, significantly below our expected top line growth, reflecting the scalability of our business model, but excluding any FX During the second half of 2025, and so far this year, the strengthening of the Euro and the Israeli shekel against the US dollar has created foreign exchange headwinds across the industry, particularly for companies with global distributed engineering teams. As a result, our non-US dollar-based expenses, which are mainly the research and development teams, in Europe and in Israel are expected to increase by approximately 10 percent year-over-year, representing an incremental impact of around $5 million. Taking both factors into account, modest organic expense growth with FX impact, we expect total non-GAAP expenses in 2026 to be in the range of 104.4 to $108.4 million, with non-GAAP cost of goods sold increasing by approximately half a million dollars, and non-GAAP operating expenses increasing by approximately 6.1 million. Importantly, this outlook

reflects our continued focus on disciplined investments, efficiency, and maintaining flexibility as we support growth across our diversified smart edge markets. From the guidance and activities we have just discussed, we anticipate non-GAAP operating income and non-GAAP net income to increase significantly by approximately 35% to 40% year over year. Annual 2026 equity-based compensation expenses is forecasted to be between $22 and $23.5 million, and the amortization of acquired intangibles and costs associated with business acquisition, approximately $0.4 to $0.5 million each. Gross margin is expected to be approximately 88% on GAAP basis for the year. Specifically for the first quarter of 26, with traditional seasonality in shipments of consumer IoT and mobile products post the holiday season, revenues forecasted to be between $24 to $28 million, sequentially lower than the record fourth quarter we just reported, but still significantly higher than the first quarter of 2025 at the middle. Gross margin is expected to be approximately 86% on GAAP bases and 87% on non-GAAP bases due to lower seasonal royalties, excluding an aggregate of $0.2 million of equity-based compensation expenses and $0.1 million of amortization of acquired intangibles. GAAP OPEX for the first quarter is expected to be between the range of 27.6 to $28.6 million, higher than the level we just reported for the fourth quarter of 25, at the midpoint of our guidance range, mainly due to the FX effect that I just walked through. Of our anticipated operating expenses for the first quarter, $5.2 million is expected to be attributed to equity-based compensation expense, $0.1 million for demortization, of acquired intangibles and another $0.1 million of costs associated with business acquisitions. Non-GAAP OPEX is expected to be in the range of $22.2 to $23.2 million. Net income is expected to be approximately $1.7 million. Taxes for the first quarter are expected to be approximately $1.3 million. And the share count for the first quarter of 26 is expected to be approximately 27.7 million shares on GAAP and 29.4 million shares for non-GAAP basis. Betsy, you could now open the Q&A session, please.

Operator | Conference Operator:

We will now begin the question and answer session. To ask a question, you may press star then 1 on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster. The first question today comes from Kevin Cassidy with Rosenblatt Securities. Please go ahead.

Kevin Cassidy | Analyst, Rosenblatt Securities:

Yes, thanks for taking my question and congratulations on the great results. For your NPU pipeline, can you just give an idea of the scale? How many more engagements do you have right now compared to, say, this time last year, and maybe even what the end market exposures are?

Amir Panoush | Chief Executive Officer:

Yeah, Kevin, thanks a lot for congratulating us and for the question. First of all, we started to I'm very, very encouraged by how we executed in 2025 our penetration into the AI. And that was a year of very significant market share gain, as well as more than 10 deals that we have been able basically to capture. With that, we have built a complete portfolio of NPUs for all the different type of smart edge markets and as that transition to the physical AI. So overall, we are well, well positioned right now going to 2026. The pipeline overall keeps growing across pretty much all the different type of sub-market segments that we see across the smart. This is true for consumer, different type of computing devices, different type of embedded MCU type of applications, as well as in the industrial, as well as in automotive. Really, we see a very healthy pipeline across all these sub-markets. Very encouraged with how we have executed and how we see the future going to 2026 on that.

Kevin Cassidy | Analyst, Rosenblatt Securities:

OK, great. And just as a follow up, a little clarification on the PCOEM. And congratulations on that. But I just wanted to make it clear. I think you said a dedicated NPU. So is this a separate chip or is it integrated in a CPU package too, like in the same silicon with the CPU?

Amir Panoush | Chief Executive Officer:

Yeah, so first, it's definitely a design win or a deal that we're extremely, extremely excited about. This is one of the top PC OEMs out there. And this is for an OEM that decided to build so-called their own internal AI and NPU functionality within so-called the SoC platform that they are integrating into. So basically what we are delivering them is the whole core NPU functionality. And then they integrated into the SOC that they are building.

spk09:

So a separate chip. Yeah. A separate chip for a... For NPO.

spk07:

For NPO. Okay, great. Thank you. Thank you, Kevin.

Operator | Conference Operator:

The next question comes from Ruben Roy with Stifel. Please go ahead.

Ruben Roy | Analyst, Stifel:

Thanks, and echo the congrats on a nice end to 25. Amir, maybe I could follow up on Kevin's question and just... talk a little bit more about the NPU win. Can you talk a little bit about the competitive dynamics for that? Because you have others like ARM sort of integrating NPUs. So how should we think about the functionality? Are there going to be multiple NPUs, do you think, in PCs going forward as the AI workloads evolve? Or is this something where you know, from a competitive basis, you guys were able to displace, you know, sort of the, you know, existing solutions maybe that are available to the OEM. Thank you.

Amir Panoush | Chief Executive Officer:

Yeah, definitely, Ruben. So first I would say that the way that we see right now the landscape and definitely for the high-end compute devices is that there is stronger and stronger need to really best in class performance. And by that I mean the power per watts that you can generate, the so-called latency or the performance of throughputs per token that you generate. This really requires so-called a co-architecture and flexibility of the co-architecture to deliver best in class, what we call PPA, Power Performance Area, that deliver basically a very competitive landscape for our customers. With this specific OEM, they looked at what is available out there and they want to make sure that they have complete internal integration between the hardware and the software to drive the so-called the high performance that they need. But what they need is the underlying core silicon IP technology with the software's come on top of that, that deliver for them the best in class performance. And I think we are well positioned competitively and that's why they picked us in this specific basically design phase.

Ruben Roy | Analyst, Stifel:

Right. Okay. Very helpful. And then as a follow-up, just to go through the guidance again a bit here, you guys talked a little bit about recovery in China from a handset customer, and obviously there's some moving parts with memory pricing, et cetera. So in thinking through sort of the first half or the second half commentary, can you just give us a little bit of a little more detail on how you're thinking about sort of end demand relative to dynamics out of your control, like memory pricing, et cetera, on first half? Is it much different, would you say, from typical seasonality? I mean, if you look at, as Janice said, you're up year over year at the midpoint, and seasonally it looks pretty similar to what you saw last year. So I'm just wondering what some of the assumptions on things out of your control might be in the first half, if that's much different from typical seasonality. Thank you.

Amir Panoush | Chief Executive Officer:

Yeah, I would start first that our business, a significant portion of our business is really not so-called dependent on mobile. It's well-ware diversified across the different sub-markets of the smart edge. And in that market, we keep gaining market share. Our customers keep ramping with our different type of technologies. And overall, we expect similar seasonality as we have seen in previous years. But with that seasonality, we keep increasing our market share. Now more specifically on mobile where potentially there is so-called more dependency or can be some impacts related to the memory supply. First again, we are going to see increase in market share thanks to the mobile OEM that is going to integrate more and more the internal modem, at least that's our expectation moving forward. But on a so-called integrated basis, With the other smartphone OEM that we have, definitely, again, there is potential impact coming from the memory shortage. And even there, we do expect meaningful seasonality between the first half and the second half. So on an aggregated basis, we're still expecting quite strong seasonality in 2026 as well, while driven by a market share gain across all the different markets for us.

Yaniv Ariely | Chief Financial Officer:

Ruben, I'll maybe add to that that our customer in China that you referred to, most of his sales are export to the rest of the world. India is a big market. Latin America, Africa, Eastern Europe type. So it's not necessarily domestic use. And therefore, the demand, the end demand is good. The question is how they will perform with the memory shortages and prices. That's just a little bit of another anecdote with regards to demand and demand at least for the products. And back to your first question, another reference is to the MPU. We came up with another press release of highlighting the entire, not just Q4, but the entire activity and results and achievements we had with AI. And in that press release this morning, we are saying that six of the NPU customers that have signed with us over the last year to two years should be ready in production by the end of the year and then probably or hopefully a royalty contribution in the beginning of 2027 for us from this relative new product line. So that's quite encouraging and we'll wait and continue to monitor their progress.

Ruben Roy | Analyst, Stifel:

That's really helpful, Yaniv. And I guess you just made me think of another question. So apologies, but I just love to follow up on that last point that you made, which is Amir talked about the $125 million in lifetime royalty potential, and you've got a PC and PU deal here. PC design cycles maybe are a little bit quicker than some of the stuff that you might expect from, let's say, a microchip that's much more broad-based into a lot of different markets. So, you know, if we think about the waterfall of the $125 million, it sounds like you're going to start to see some of that in 27. Any way to think about that pipeline relative to, you know, how it'll flow into the model outside of what I just said? You know, PCs may be a little bit faster than some of the broader markets or anything else you can add on the pipeline. That'd be great. Thank you.

Yaniv Ariely | Chief Financial Officer:

I think that over time, and not necessarily these first six, part of them, yes, we're going to see on one hand, the high royalty contribution, because as Amir explained, our offering today is both the high end and low end, very sophisticated automotive, PC, type of application as well as the IOT and wearables and the low power type of devices so the most important thing is higher volume for these new royalties but on top of that also higher ASPs on at least the higher end stuff. It's all a mix and this is a little bit more difficult to predict exactly how 2027 will look like and when it's going to hit, whether the first half or the second half. But when we monitor these customers of ours and when we support them in their design cycle, these are the dates and the opportunities we see in front of us. Overall, an increase in dollar revenue content from a new market for us. This is on top of the connectivity. This is on top of the IoT and mobile. It's essentially the third leg of AI. We did very well in licensing. Just over 20% of our licensing revenue for the first time ever in 2025 came out from that market. And potentially in 27, we could see also those royalties start to kick in. Indeed, exciting times.

Amir Panoush | Chief Executive Officer:

Yeah, I would just add to that, Ruben, that definitely we are extremely excited and encouraged by the fact that those design wins are going to generate, per our estimation, $125 million in terms of royalty potential. And you pointed out very correctly on that in consumer, PC, and so on, the time to royalty is shorter, and definitely we expect with that market type of design wins that it will also start generating in 2027.

spk10:

Perfect. Thank you. Thank you.

Operator | Conference Operator:

The next question comes from Sujit Silva with Roth Capital. Please go ahead.

Sujit Silva | Analyst, Roth Capital:

Hi, I'm here. Congratulations on the strong year and the progress here. The PCOEM win, just keeping up on that, is it more likely that it was a one-off special case for this OEM, or would you think, on the other hand, there's pipeline potential for additional OEMs to follow suit considering SIVA-based solutions as well?

Amir Panoush | Chief Executive Officer:

First, the PC landscape is such that the number of customers, of course, is not super large versus, let's say, the other more diversified IoT market segments that we're addressing as well. But within that landscape, having the ability to internalize the AI capabilities, and with that, the software hardware integration and the specific optimization to the use cases they want to drive, it's a big value add. So definitely there is potential that other will follow suit with the same type of configuration. And regardless of that, of course, we are extremely excited by the fact that after very significant lengthy type of evaluation, we came at the top based on very, very strong performance metrics that we can provide to, in this case, to the PC OEM, but for potentially other PC customers as well as in other high-end compute devices that need the high-performance type of metrics.

Sujit Silva | Analyst, Roth Capital:

Thanks, Amir. Very interesting. And then separately, you highlighted in your prepared remarks, Amir, physical AI. I was curious, you know, what pipeline opportunities there are there or current opportunities there are in physical AI that you would call out in terms of apps? And which physical AI app categories are the largest incremental royalty opportunity for you as that ramps up?

Amir Panoush | Chief Executive Officer:

I think what is emerging more, and this is so-called the growth area beyond so-called our traditional market segments that you're after, is everything related to robotics. And we're already addressing, we will keep gaining market share in the type of like automotive and under-industrial application and the border IoT. But what is really exciting right now, so-called specifically related to physical AI is is the expansion of those capabilities all across wireless connectivity. They need, of course, to sense and understand the environment and then make an inference or decision based on all that information that really is going to happen across robotics. And now robotics moving so-called from a small volume in, let's say, warehouses to potentially be everywhere and supporting all human beings worldwide. So there is very big potential there. Of course, as the year progresses, we will see the real impact of that.

spk10:

Thanks, Amir. Thanks, Julie.

Operator | Conference Operator:

As a reminder, if you would like to ask a question, please press star, then 1 to join the question queue. The next question comes from Alec Valero with Loop Capital. Please go ahead.

Alec Valero | Analyst, Loop Capital:

Hey, guys. Thank you for taking my questions. This is Alec on for Gary. My first question is on your fiscal 2026 guidance. What specifically would need to improve in fiscal 26 to turn toward the high end of your guidance range or even above the high end of the guide?

Yaniv Ariely | Chief Financial Officer:

Yeah, obviously in guidance, you know, you have the two aspects, revenue and expenses. On the revenue front, 8% to 12% was our long-term growth trajectory back from 2010. analyst day that we did back in december of two or so three years ago so that's that's still intact maybe we've been behind in 25 but we're back to back to that stronger licensing obviously it could help us loyalty ramp up for many of these markets that we talked about this year no less or more effect from memory that those are the normal typical events that could influence the royalty level, obviously the timing of different product ramp-ups and things like that. On the expense side, the biggest element for us this year is less associated to the organic plans and running the company. It's more of a macro thing, which I talked about earlier, the currency exchange rate differences between this year and last year. dollar compared to many other currencies around the world. And while most of our R&D is outside the US, this is hurting us. If there will be some type of future change throughout the next six months or so, one way or the other, that could shorten or increase the gap. But on the other hand, we are fully in control to still offset that or enjoy that if it's on the positive side. So I think these are the more or less moving pieces in our business from a cost and management. We came out with a pretty low expense

increase and are managing our investment very, very tight and efficient to try to maximize shareholder value.

Amir Panoush | Chief Executive Officer:

But maybe just to add on that, Alec, in terms of unpacking Circle, what are the drivers for the top-line growth as we look at 2026? First, definitely our very strong leadership in wireless communication. We see us keep gaining more both on licensing and the royalty keeps increasing very, very nicely across all those different types of sub-markets. And the second, of course, is our momentum in AI. Extremely encouraged about what we have seen in 2025, and we have all the so-called capabilities from a product portfolio and engineering capabilities to drive that momentum even further in 2026. And then last but not least is overall our expectation we'll keep gaining market share both in mobile and Wi-Fi from a royalty basis. Mobile coming from the U.S. mobile OEM and on the Wi-Fi coming from just the continued penetration of our technology and the transition into Wi-Fi 6 and 7 and Bluetooth 7, the driving high royalty per unit.

spk09:

Got it. I really appreciate all that color. Just a quick follow-up.

Alec Valero | Analyst, Loop Capital:

So with your recent equity capital raise, I believe you are about at $200 million in the balance sheet.

spk09:

How do you think about M&A today, and what do you think about the current valuations?

Yaniv Ariely | Chief Financial Officer:

I think you guys are the expert for that, right? We wanted to strengthen our balance sheet. We're looking for non-organic growth to grow faster and gap that licensing to royalty 18 to 24 months timeframe. That's the merit in raising that cash. And that's our goal. That's our goal for the next 12 months to find the right fit technology-wise, market-wise, business-wise to increase that. Hopefully when the market, if we do well and continue to execute and the market understands that Siva is a very interesting AI play which I'm not sure we're yet being recognized for that. I see a lot of value for shareholders, but that's your forte, not ours. We'll manage the business.

Amir Panoush | Chief Executive Officer:

Yeah, one thing to add, thanks, Yanni. One thing to add, Alec, in terms of the balance sheets or the cash position, I strongly believe we really have built... excellent, excellent IP enterprise in terms of being able to deliver so-called IP licensing across many different markets. And the goal, of course, is to utilize that balance sheet to find additional assets out there in the IP domain that we can take on and expand even further our potential for growth and profitability. And so this really helps us to have the financial strength to go and be able to expand it further.

spk07:

Got it. Super helpful. Thank you very much. Well, congrats. This concludes our question and answer session. I would like to turn the conference.

Richard Kingston | Vice President of Market Intelligence and Investor Relations:

Yeah, we're back to, I think Amir has some closing remarks.

Amir Panoush | Chief Executive Officer:

In closing, I want to thank our employees worldwide for the dedication and execution through 2025. We enter 2026 from a position of strength with a diversified business model and deep customer integration across the market, driving the emergence of physical AI. With leadership in connectivity, accelerating traction in AI, and a portfolio designed to scale across, connect, sense, and infer, we believe SIVA is well positioned to continue building long-term value for our customers and shareholders. Richard, I will hand over to you to wrap it up.

Richard Kingston | Vice President of Market Intelligence and Investor Relations:

Thank you, Amir. Thank you, Amir. As a reminder, the prepared remarks for this conference call are accessible through the investor section of our website. And with regards to upcoming conferences, we will be participating in the following events. Mobile World Congress, March 2nd through 5th in Barcelona, Spain. Loop Capital Markets, 7th Annual Investor Conference, March 10th in New York. The Stifel 2026 New York City Technology 101 Conference, March 11th in New York. and the 38th Annual Roth Conference, March 22nd in California. Further information on these events and all events we will be participating in can be found on the Investors section of our website. Thank you and goodbye.

Operator | Conference Operator:

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.