NASDAQ:CEVA Q1 2026 Earnings Call Transcript

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Betsy | Conference Operator:

Good day, and welcome to the SEVA, Inc. First Quarter 2026 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 1 on a touch-tone phone. To withdraw your question, please press star, then 2. 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 first quarter 2026 earnings conference call. Joining me today are Amir Panoush, Chief Executive Officer, and Yaniv Ariyeli, 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 comparison 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. 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, and good morning, everyone. We are pleased to report a strong start to 2026. Building on our momentum from 2025, we exceeded our expectations on both revenues and non-GAAP EPS, including licensing and related revenues of $17.8 million, our strongest licensing quarter in three years, reflecting the strength of our pipeline, customer momentum, and future earnings power. This performance reflects strong executions and alignments with key market trends. including the convergence of edge AI and wireless connectivity, rising system complexity, and growing demand for integrated solutions that accelerate time to market. As the industry faces increasing constraints in scaling centralized AI compute, the reality of shifting towards running inference at the edge and leveraging local resources is becoming more critical. Against this backdrop, intelligence-connected device shipments are expected to exceed 40 billion units annually by 2030, reinforcing the value of our connect, sense, and infer strategy. In the quarter, we signed several multi-technology engagements and three strategically important deals that demonstrate our strategy is translating into results. Starting with connectivity. In early 2025, we introduced our SIVA Waves LINX 200 platform to deliver fully integrated, system-level wireless solutions across RF, basebands, and software, helping customers accelerate time to market. This quarter, we secured a major licensing win for a complete Bluetooth High Data Throughput, or HDT, solution, a foundational capability for the upcoming Bluetooth 7 standard. We license this full solution, including modern software and RF, to a leading US-based semiconductor company. Bluetooth 7 is expected to enable higher throughput and more advanced use cases, including multichannel audio, wireless video, XR and gaming peripherals, and AI-enabled edge devices. Our HDT solution is a key building block enabling this next generation of high-performance wireless and AI-enabled edge devices. This builds on our prior Bluetooth engagement with the same customer, which is

now approaching high-volume production, and further expands our footprint through a more integrated RF, modem, and software platform engagement. This also reflects a border shift in the industry from internally developed connectivity to licensing-proven platforms. We believe that moving to a full-stack solution increases value per design for SIVA through higher licensing fees and greater royalty content, while also deepening integration and enabling multi-generation engagement. For the quarter, we expect it to deliver faster time to market and lower development risk, allowing them to focus on their core differentiation while leveraging our proven IP, ultimately driving a stronger return on investment for both parties. Turning now to 5G and satellite communication. During the our Pentagy NTN 5G advanced modern platform, sending our cellular portfolio into satellite communication. Non-terrestrial networks, or NTN, an emerging market expected to scale to billions of devices over the coming decade, as satellite connectivity becomes an integral part of global communications infrastructure, complementing and, in some cases, extending beyond traditional terrestrial 5G networks. This is being driven by a wide range of use cases, including direct-to-direct remote and undeserved area coverage, asset tracking, and industrial IoT, where ubiquitous, always-on connectivity is critical. It is also increasingly important for enabling more resilient and independent communications infrastructure. Customer response has been highly encouraging, with clear momentum building across our pipeline. Building on this, we expanded an existing customer relationship with a satellite OEM from DSP cores to a more integrated baseband processing solution. As with our Bluetooth HDT engagement, this reflects a deepening relationship with an existing customer and an expansion in the scope and value of our IP within their platform. In Ultra Wideband, during the first quarter, we introduced our next generation UWB platform and secured a new customer win with a major US-based MCU provider, augmenting its internal UWB capabilities. With our IPN combining its system expertise with our proven connectivity solution to accelerate development and reduce risk. This engagement also builds on a broader relationship with the customer, who has licensed multiple SIVA technologies over the past two years. We are seeing a transition in UWB towards higher-value industrial, automotive, and enterprise applications, driven by demand for precise, secure location awareness in use cases such as access, asset tracking, and indoor navigation. As the market expands, customers are increasingly choosing to license proven IP to accelerate time to market and reduce development risk. Because of these wins, a clear pattern is emerging. The Bluetooth NTN and UWB engagements we highlighted this quarter are all within existing customers who have expanded their use of SIVA IP over the past two years. More broadly, customers are increasingly adopting more integrated system-level solutions from SIVA, expanding our value-per-design while strengthening long-term royalty and margin potential. Incensing We continue to see growing traction for our special audio solutions as demand for immersive audio experience expands. During the quarter, Lenovo launched its latest ThinkPad headset, powered by our RealSpace special audio with head tracking, building on recent wins with consumer brands like Nothing and Bolt. Finally, in AI, we continue to execute on our strategy to enable efficient, scalable inference at the edge, with AI representing more than 20% of our licensing and related revenues, and the signing of two new licensing agreements in the quarter. We are seeing a structural shift towards hybrid AI, where inference is increasingly moving to the device, while more complex processing remains in the cloud or across connected systems. This right AI model, right place, right time approach enables real-time on-device decision-making while maintaining the flexibility to scale compute as needed. As a result, demand for highly efficient, ultra-low-power solutions is growing across wearables, automotive, industrial, and smart home applications. And IP and AI content per device is increasing as more products require local connect, send, and infer capabilities. We believe the rise of hybrid and agent-based AI will further accelerate the shift towards distributed intelligence at the edge, where devices need to locally sense, infer, communicate, coordinate, and act in real time while selectively leveraging cloud AI resources. This trend is expected to drive growing demand for efficient AGI processing alongside advanced wireless connectivity across increasingly complex connected systems. This is now translating into production. Renaissance R-car V4H platform, which integrates our AI DSP and accelerator, is now in production in the 2026 Toyota RAV4, one of the highest volume passengers vehicle globally, marking our first mass volume automotive AI deployment. We believe this represents the beginning of a meaningful, long-term royalty stream with going AI content per device. We also announced a collaboration with NXP during the quarter, integrating our AI DSPN accelerator into their S32E2 and S32Z2 software-defined vehicle processors, further validating our position in automotive AI. In addition, our Newport Nano NPU won a leading artificial intelligence award at Embedded World 2026,

further emphasizing our leadership position. Our AI licensing pipeline remains strong, with multiple evaluation and investment negotiations underway across a broad range of end markets. Stepping back, overall, we signed 14 licensing agreements in the quarter, including two with OEMs. In addition to the deals I highlighted earlier, we secured a Wi-Fi 7 design targeting consumer IoT, a Wi-Fi 6 Bluetooth combo engagement with a leading edge AI SOC platform company, and multiple additional Bluetooth and Wi-Fi winds across our connectivity portfolio. Turning now to royalties. We continue to see encouraging momentum across our diversified smart edge market. with growth in IoT, industrial, and AI-driven applications. While total royalties were flat year-over-year, non-mobile royalties grew 8%, reflecting strengths across our smart edge markets, partially offset by softness in smartphones. Wi-Fi shipments reached an all-time high in the quarter, driven by record Wi-Fi 6 volumes, highlighting the continuing expansion of this market as customers ramp deployments across a broad range of devices. More broadly, Wi-Fi and Bluetooth continue to be durable, multi-year growth drivers. As customers scale current generation technologies, such as Wi-Fi 6 and Bluetooth 6, they are also developing next-generation platforms, including Wi-Fi 7 and Bluetooth 7. These overlapping cycles are expected to support sustained unit growth increase IP content per design, and long-term margin expansion. We expect the continued shift towards combo chips to further reinforce our strategy, as customers integrated multiple SIVA technologies into a single design, increasing value per device and driving stronger overall economics. AI-driven royalties also continue to grow, highlighted by our automotive AI deployment at Toyota and a ramping AI SOC for surveillance, representing early signs of the long-term contribution we expect from edge AI across multiples and markets. Against these tailwinds, first-quarter royalties were impacted by typical seasonal softliness in mobile, combined with near-term effects for memory availability constraints and challenge inventory in the lower tier segments. We view this mobile dynamics as largely timing-related and expect improvements as the year progresses, supported by inventory normalization and typical seasonality, along with what we anticipate will be stronger high-end smartphone royalties in the second half. Overall, this quarter reinforces our ability to execute on our strategy and increase value per design as we move towards more integrated, higher-value engagements. I will now turn the call over to Yaniv for the financials.

Yaniv Ariyeli | Chief Financial Officer:

Thank you. I'll now review the financial results for the first quarter, which reflect the strong licensing performance and continued execution Amir just outlined. Revenues for the first quarter increased 11% year-over-year to $27 million. The revenue breakdown is as follows. Licensing and related revenue increased 18% year-over-year to $17.8 million, reflecting 66% of our total revenues. Royalty revenues were $9.2 million, in line with last year, reflecting 34% of total revenues. Gross margins were 86% on GAAP bases and 87% on non-GAAP bases. Our total gap operating expenses for the first quarter were $28.4 million, just over the mid-range of our guidance. Total non-gap operating expenses for the first quarter, excluding equity-based compensation expenses, amortization of intangibles and deal costs, were $23 million, just over the mid-range of our guidance. Gap operating loss for the first quarter was $5.1 million as compared to gap operating loss of $4.4 million in the same quarter last year. Non-gap operating margins and income were 2% of revenues and half a million dollars. Income was $1.9 million compared to $2.1 million for the first quarter of 2025. Taxes were approximately $1.3 million Gap net loss for the first quarter was $4.5 million and diluted loss per share was $0.16 as compared to net loss of $3.3 million and diluted loss per share of $0.14 for the first quarter of 2025. Non-gap net income and non-gap diluted earnings per share for the first quarter of 26 were $1.1 million and 4 cents respectively as compared to non-GAAP net income of $1.4 million and non-GAAP diluted earnings per share of 6 cents for the first quarter of 25. With respect to other related data, we shipped 458 million units of SIVA power devices. up 9% for the first quarter of 2025. Of the 458 million reported, 46 million units, or 10%, were for mobile handset modems, down from 49 million units in the first quarter last year. 394 million units were consumer IoT devices. up from 337 million units for the first quarter last year. 18 million units were for industrial IoT products, down from 34 million units in the first quarter last year. However, associated industrial IoT royalty revenues were up 19% year over year. reflecting a better mix of higher ASP product shipments, including 5G wireless infrastructure and automotive AI. Local shipments were 206 million units in the quarter, down from 233 million units in the first quarter of last year. Cellular IoT shipments were

66 million units, up 38% year-over-year, And Wi-Fi shipments were a record 91 million units, up 158% year-over-year. As for the balance sheet items, our cash equivalent balances, marketable securities, and bank deposits were approximately $216 million, providing strong financial flexibility. We remain focused on disciplined capital allocation, including continued investments in our roadmap and a selective approach for strategic M&A opportunities that can accelerate our growth. Our DSOs for the first quarter of 26 was 59 days. During the first quarter, we used $4.9 million of cash in operating activities. Ongoing depreciation and amortization was $0.9 million. And purchase of fixed assets was $2.3 million, including approximately $1 million related to leasehold improvements. At the end of the first quarter, our headcount was 430 people, of whom 348 were engineers.

Moderator:

Now for the guidance.

Yaniv Ariyeli | Chief Financial Officer:

As Amir highlighted, we delivered a strong start for the year, supported by continuing enhancements to our IP portfolio, solid licensing execution, and growing fundamental for future royalty expansion. From a financial perspective, we continue to view 2026 as a year of growth across multiple dimensions. Reflecting our first quarter performance, we're upgrading our annual outlook towards the higher end of our previously communicated range. For the full year, we now expect total revenue growth to be at the top end of our 8% to 12% range over 2025. With a typical seasonality profile of lower growth in the first half, and stronger growth in the second half, subject to memory pricing dynamics and supply conditions. On the expense side, we maintained focus on cost discipline and operating leverage, while continuing to manage foreign exchange headwinds with the strengthening of the Euro and the Israeli shekel against the U.S. dollars. Overall expenses cost of revenues and OPEX combined are expected to increase approximately 8 percent over 2025. As we continue to invest to support growth, we expect a portion of the incremental revenue to be translated to the bottom line, driving continued improvement in non-GAAP operating income, net income, and EPS. Based on our performance to date and current business momentum, we now expect non-GAAP operating margins and non-GAAP net income to increase by 40 to 50 percent year over year, which is above our prior expectations. Guidelines for the second quarter of 2026. Revenues are expected to be in the range of $26 to $30 million. reflecting continued growth both sequentially and year-over-year. Gross margin is expected to be 87% on GAAP bases and 88% on non-GAAP bases, excluding an aggregate $0.2 million of equity-based compensation expenses and $0.1 million of amortizations of required intangibles. Gap OPEX for the second quarter of 26 is expected to be similar to the first quarter and in the range of $27.7 to $28.7 million. Of our anticipated total OPEX for the second quarter, $5.3 million is expected to be attributed to equity-based compensation expenses, $0.1 of amortizations of required intangibles, and $0.1 million of cost associated with business acquisitions. Non-GAAP OPEX is also expected to be similar to the first quarter and in the range of $22.2 to $23.2 million. Then interest income is expected to be approximately $1.7 million. Taxes for the second quarter is expected to be approximately $1.5 million. And the share count for the second quarter of 26 is expected to be approximately 28 million shares for GAAP and 29.7 million shares for non-GAAP.

Moderator:

Betsy, we could now take questions, please.

Betsy | 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 2. At this time, we will pause momentarily to assemble our roster. The first question today comes from Ruben Roy with Stifel. Please go ahead.

Operator | Conference Specialist:

Ruben, your line is open. You may ask your question now. Sorry, guys.

Ruben Roy | Analyst, Stifel:

I was on mute somehow. Hi, Amir. Hi, Yaniv. Congrats on the nice start to the year. I guess to start, Amir, on the Bluetooth HDT win, I'm not sure if you guys had RF wins previous, but it seems to me like that would be a nice step up in your value per design strategy that you've been talking about. So can you maybe just talk a little bit more about what you're doing for the RF? And also, I guess, as part of that, is that sort of an architecture that you can replicate across other areas of the business, eventually Wi-Fi, ultra-wideband, et cetera? and anything you talk about in terms of the royalty rate relative to your traditional Bluetooth licenses. Thank you.

Amir Panoush | Chief Executive Officer:

Yeah, Roy, first, thanks a lot for the congratulations. Yeah, definitely, this is a very important win for us. As you pointed out, this is a win of a full system solution, all the way so-called from the antenna up to the full stack and the software, including our own internal developed RF, which is an investment that we've put in the last year or two to really build those system up. The key value here is really that our customers, they can get the full solution. They don't need to do more of the pre-testing validation of those things. And we provide them that as a full solution, then time to market and ability to be successful in the market is much higher. And even more so with this customer and overall other customers, what we see, that really helps them to drive more and more at so-called the mix versus by decision and move away from so-called internal development to a complete solution based on our technology. So we are very happy with that, with the RF, and we expect more of those means to come through the year and then, of course, in the next few years. The other piece that you pointed out, this is definitely a technology that we are planning to expand beyond the Bluetooth HDT. We have multiple other wireless technology with digital IP and the same strategy we are going to basically deploy and apply in the marketplace. More and more integrated solution, complete system around our leadership in wireless connectivity. So we are super, super excited about this momentum and that's what can build for the future. Last piece that you point on the royalty. As I mentioned in the previous course, at the end of the day royalty comes back to what value we bring to our customers. In this case, because it's not just the whole different components of the system, it's the fact that it's fully integrated, our customers definitely appreciate it, and we see meaningfully higher royalty than so-called 1 plus 1 is more than 2, and that will help us to drive much more royalty growth in the future with overall very strong flywheel across our wireless connectivity technologies.

Ruben Roy | Analyst, Stifel:

That's great. Thank you, Amir, for all the detail. I guess if I could ask a quick follow-up just on sort of the way the year is playing out. You continue to expect a stronger second half, and I think you gave us a lot of, you know, sort of data points and, you know, kind of visibility into how you're thinking about that. But you do have,

you know, some, you know, factors coming into play. You mentioned memory pricing and, you know, you know, overall, you know, sort of macro, you know, sort of dynamics going on. So either Amir or Yaniv, can you maybe just give us a little bit of detail on what you're hearing from customers relative to some of those, you know, impacts that we might see as we kind of go through the year? I think, you know, memory pricing has started to impact some of the end markets. We're hearing from PC guys, et cetera, you know, talk about potential impacts there. Any additional detail on how you're thinking about the second half versus the first half and what you're hearing from customers would be great. And that's all I have. Thank you. Yeah, definitely.

Amir Panoush | Chief Executive Officer:

One thing first I would say, just if we look at this quarter, as we started the year, I'm extremely encouraged by the fact that even though so-called mobile hasn't been that strong, considering the challenge with memory allocation and so-called inventory utilization, we still deliver really great results. driven by one, very good execution across the licensing and solution-based offering. And second, we see a very good momentum overall in the border IoT. And going back to what you asked about the memory, if we look at the IoT, it's a market that is less impacted by that. We have a great access across a very diversified set of customers, use cases, and products and technologies. So I think overall we can do so-called better than others in terms of potential impact from memory allocation. And specifically on mobile, with the inventory drawdown that happened this quarter and maybe to some degree through the first half, it probably will put us in a good spot as we go to the second half, which on top of that, of course, what we expect is increased market share in the premium tier. So I think overall we are well-positioned. and going through so-called debt challenges overall in the marketplace. And it goes back to how we execute basically driving our licensing and ensuring that our customers are happy with the ramp-up of our technologies.

Yaniv Ariyeli | Chief Financial Officer:

Ruben, maybe we'll add one more thing. Historically, if you look at the volumes of shipments of our royalties, our customer shipments in the second half of every given year in the last three years, you'll see about a 40% increase. And then every year there is some issues, whether it's pricing or inventory or now memory. So with that said, the trend was mainly around 40% sequential growth, second half versus first half. And we are building that in also in our prospects for 2026.

Ruben Roy | Analyst, Stifel:

Got it. Thank you, Yannick. Thank you. Thanks, Amir.

Betsy | Conference Operator:

Thank you.

Ruben Roy | Analyst, Stifel:

Thank you, Roy. Okay.

Betsy | Conference Operator:

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

Suji De Silva | Analyst, Roth Capital:

Hi, Amir. How are you? Congratulations on the progress here. Thank you. Amir, maybe you can talk about your – as you came in, you talked about sense, connect, and infer. And maybe today you could give us an update on that in terms of the example of traction at the same customer, two of those or three of those versus just one. That would be helpful to understand.

Amir Panoush | Chief Executive Officer:

I definitely suggest. I think several names that we mentioned in the past, including this time, we see them basically licensing multiple technologies from us. It can be multiple technologies across Connect, but also we have more and more across multiple technologies of Connect and Infer. And in some cases, the whole thing connects Sense and Infer. And so we see that progression going very well. And we expect more as we keep driving those technologies into the marketplace. But definitely what drives the baseline flywheel or success with our customers is very high appreciation of our wireless connectivity portfolio. And on top of that, our investment and expansion in the AI or Infer, overall portfolio. Other things, as we pointed out, Lenovo with their headset this quarter, we announced that basically They've been using or start ramping with our real space or 3D spatial audio technologies. And they are also a wireless connectivity basically customer to the semi guys that are delivering those solutions to them.

Suji De Silva | Analyst, Roth Capital:

Okay. I appreciate that, Amir. Great. And then in the connectivity specifically, Bluetooth is already well penetrated. Can you update us on where Wi-Fi is in the attached curve going up in terms of attachment? And then, will UWB follow a similar path, or is that more of a niche technology? Thanks.

Amir Panoush | Chief Executive Officer:

Yes, on the Wi-Fi, and if you can point more into the specific numbers, but we're extremely encouraged with the ramp that we've seen first through all 2025, and now continuing and even more in Q126, where we reach an all-record high volume this quarter, and we expect that to continue with a very nice ramp moving, so-called, from the more legacy Wi-Fi into Wi-Fi 6, And then within a year or two, we'll start seeing the transition into Wi-Fi 7 plus lots of the combos of the Wi-Fi and Bluetooth. So overall from a pattern and penetration in the marketplace, we expect, as we mentioned on other calls, right, that Wi-Fi shipments will reach a very high volume above the half a billion and more as we keep progressing and then basically augment very nicely our penetration with Bluetooth plus the combos. In terms of UWB, this is, I would call it overall, a newer technology. There are lots of very good indication in the marketplace from the use cases. And with that, the potential demand for the technology, we've seen more penetration right now in smartphone from there into different type of edge devices for location-based, for access and control. So we are very encouraged with that. Now we just got a major license deals with a US customer. And there will be more to follow. But overall, from a volume penetration, I'd say we are highly penetrated with Bluetooth. We are getting to the same level with Wi-Fi. And the next to follow will be UWB. Okay, great.

Yaniv Ariyeli | Chief Financial Officer:

Thank you. The only comment that I can add for that, Suji, is we talked about, Amir mentioned the combo chips. If you look at the Bluetooth Wi-Fi combo chip year over year, the volume has doubled. We haven't opened that number up yet. We'll do it in due time. But some of the reason also that we mentioned that the Bluetooth is going down because we are counting those combo chips is combo and not Bluetooth necessarily. There is no issue in the market. It's just our count and ASPs for those combo chips are higher than the individual Wi-Fi or Bluetooth solutions in the past.

Suji De Silva | Analyst, Roth Capital:

Can you be counting those in Wi-Fi units? Is that what you think?

Yaniv Ariyeli | Chief Financial Officer:

The combo of Bluetooth and Wi-Fi units, yeah, double year-over-year for Q1.

Moderator:

Okay, thank you, thank you.

Betsy | Conference Operator:

Sure. The next question comes from Sameek Chatterjee with JP Morgan. Please go ahead.

Sameek Chatterjee | Analyst, JP Morgan:

Great, thanks for taking my questions, and congrats on the strong results here. Maybe just another follow-up on Wi-Fi, the 91 million number that you had there, it's pretty strong considering a seasonal sort of, you typically see a seasonal downtick into 1Q. Can you just outline if there was anything in terms of a new customer, volume, et cetera, ramping into 1Q that drove that seasonality? And from this sort of 1Q base, should we expect to see a similar pickup into the second half that you've historically seen from first half to second half perspective in Wi-Fi? Thank you. And I'm a follow-up.

Amir Panoush | Chief Executive Officer:

Yes, Amik, this is a great question. And actually, the ramp or the volume in Q1 of our Wi-Fi shipments is not related to seasonality, as you pointed out. It's really the migration of multiple customers adopting our technology. So either migration from Wi-Fi 4 to Wi-Fi 6, or many of them actually new customers that start ramping with the Wi-Fi 6. And I will remind everyone that we talked about more than 30 licenses agreements that we have made in the last two, three years of Wi-Fi technology. And those basically customers are now coming more and more into production. So that momentum, we expect to continue. And actually we should expect second half to be stronger than the first half, both based on the seasonality, plus basically more and more new customers and new program basically ramping in volume for Wi-Fi. So Wi-Fi, we are really still in the ramp up in terms of market penetration. and our customers basically ramping their portfolio and their product line. Correct, correct, correct. And just maybe... And it's true, by the way, Samik, both to industrial and consumer. So we are really doing well on both fronts with our Wi-Fi technology.

Sameek Chatterjee | Analyst, JP Morgan:

Okay. Just for a quick follow-up, any updates on how you're thinking about capital allocation, particularly in relation to M&A? given that it's a pretty strong year, you'll generate more cash. How are you thinking about sort of the alternatives in front of you, including if you do go CM&A, what would be the more sort of targeted technology areas that you would look for? Thank you.

Amir Panoush | Chief Executive Officer:

Yeah, definitely. This is a key important item within what we're looking to execute and our overall strategy to scale up the company and looking into an M&A option for us. The focus there will be around so-called technologies that complement our success in the smart edge era. We have more focus on IP overall in order to build the scale. So, you know, we talk about connections and infer within those technologies and augmented technologies. I think that's what we are really targeting, and hopefully we'll be able to talk about it as we progress through the year.

Operator | Conference Specialist:

Thank you.

Sameek Chatterjee | Analyst, JP Morgan:

Thanks for taking my questions.

Operator | Conference Specialist:

Thank you. Yeah, thanks for me.

Betsy | Conference Operator:

The next question comes from Gary Mobley with Loop Capital. Please go ahead.

Gary Mobley | Analyst, Loop Capital:

Hi, guys. Thanks for taking my question. Looking specifically at the SEVA wavelengths, the RF subsystem there, I know the highlight that you put in front of us today is more of a system-level license agreement, you know, including the RF. But if I'm not mistaken, that RF subsystem might be unique to a specific manufacturing process node, TSMC 12 nanometers specifically. Can you speak to how you might move forward in broadening that, I guess, the scope of the RF subsystem across different process nodes and different boundaries and how that might affect the overall licensing for wavelengths?

Amir Panoush | Chief Executive Officer:

Yeah, Gary, great question. So yeah, the Lynx 200 that we announced previously was around 12 nanometers TSMC. And overall, what we are executing our strategy is actually to go beyond one process node or one fund B. And also, I think we are well positioned with the access that we have in the market from the number of customers that have licensed our digital IP technology. to have very good sense of where the roadmap is heading in terms of the process node needs, as well as the type of funders that they are looking to partner

with. And yeah, we are not going to support all different options out there and permutation, and definitely some customers will build with their own RF, but I'm very confident that we can so-called go and support the majority or the significant portion of where the market is heading in terms of the process need and the funders. So we'll have so-called multiple options there, but we are not going to cover the whole spectrum.

Gary Mobley | Analyst, Loop Capital:

For a follow-up, I want to ask in general about the license pipeline. You know, how does it look, you know, compared to maybe a year ago? And if you can give us an update as to what might be recurring in license revenue and what percent still remains, you know, one time in nature.

Amir Panoush | Chief Executive Officer:

There are several so-called fundamental trends that encourage us and we feel good with the perspective of our licensing business. One, we see more and more customers, repeating customers coming again, going from one generation to the next. The other one is more customers are coming to license multiple technologies, either by adding additional technology or just from the start go looking for multiple technology. And the last piece is what we are highlighting this quarter, is really coming in licensing solutions, which at the end of the day brings more value to our customers and help us, so-called, to have better economics of the deals, including the licensing portion. When we take all those three into account, overall, we feel good. We feel confident with where we are in terms of the pipeline, our ability to execute our licensing business. And I think the last few quarters have shown that, including this quarter. So I would say overall, we look at the year as a good growth year in licensing. the pipeline really supports as well.

Moderator:

Thank you. Thank you, Gary.

Betsy | Conference Operator:

The next question comes from Josh Buckalter with TD Cowan. Please go ahead.

Josh Buckhalter | Analyst, TD Cowen:

Hey, guys. Thanks for taking my question, and congrats on the results. Maybe I wanted to start big picture. You know, we're seeing sort of a lot of positivity in the CPU space as compute resources are moving, you know, increasingly away from or in addition to being complemented by outside of the AI server rack. Could you maybe reflect on where we are on the embedded side in that adoption curve and specifically any updates or major momentum on the MPU side from the quarter you wanted to highlight? Thank you.

Amir Panoush | Chief Executive Officer:

Yeah, great question, Joe. So first from the so-called momentum of CPU, And this is what we have been talking about for the last few quarters about so-called the hybrid AI model and things are more moving into the edge. So this is very encouraging to see that that's really happening in the market. And also other customers are able to, other players in the market are able to basically execute to that and show that progress. And we need to keep in mind that when we look at our Connect, Sense and Infer IP portfolio, It actually complements extremely well CPU, whether that CPU based on that architecture or the other RISC-V

architecture. So we are really indifferent to that and we can support both. So that puts us in a good position. On the NPU specifically, that's where we are building, again, a portfolio of NPUs that goes along any kind of CPU architecture. And I think that's where we're also uniquely positioned. focusing on NPU technology itself as accelerator to the CPUs that are out there. The more CPU drives more adoption of AI at the edge, the more opportunities we will see with our NPUs. All those things are encouraging so-called activities and potential tailwinds for us as we progress through the year and next year.

Josh Buckhalter | Analyst, TD Cowen:

Thank you for the color there. And then maybe I can follow up on the second half outlook. A lot of companies have flagged potential cuts in the second half from the memory headwinds. Have you guys seen anything yet that's impacted your customers? And then I was also hoping you could maybe walk through what are the expectations that you have in your second half outlook for the large North American smartphone customer that has some of your IP on their modem. Thank you.

Yaniv Ariyeli | Chief Financial Officer:

Sure. So, you know, we built some of our expectations top down with knowing that the markets in the second half with the seasonality of Christmas and the ramp up for introduction of new products around that timeframe is strong. We'll need to see how the market deals with the memory pricing and shortages. but right now we haven't heard anything specific from our customers other than what we have seen in the mobile space and the low tier phones that we have seen in other companies have talked about Qualcomm ARM in the first quarter of the year with mentioning the recovery going forward. So I don't think we have seen anything yet. I think the market has its way to overcome some of the Hurdles when we get to the high season, and we have built all that in, including the North American OEM that doesn't share its internal plan, that doesn't share exactly the timing of introduction of new products, whether they're based on their own motive or not. And we have our own estimates that we have built in this model. The rest will look and get the royalty reports on a quarterly basis. And based on that, they'd be able to report. Again, historically, and the more we have added the combo chips, like we talked about today with higher ASPs, the more that we have the automotive AI, NXP and Renaissance helping us this year, which weren't around last year with royalty contribution. the more 5G networks that started the year very strong, and then the OEM opportunities in the U.S., it looks like a stronger and promising second half. And this is the reason we took our guidance to the top range of the previous annual guidance of the 8% to 12%.

Operator | Conference Specialist:

Thank you.

Moderator:

Thank you, Joshua.

Betsy | Conference Operator:

The next question comes from Madison DiPaolo with Rosenblatt Securities.

Madison DiPaolo | Analyst, Rosenblatt Securities:

Please go ahead. Hi, this is Maddie calling on behalf of Kevin Cassidy. I was just wondering which end markets here are expressing the most interest for in the NeuroPro?

Moderator:

Say that again, Maddie?

Yaniv Ariyeli | Chief Financial Officer:

Sorry.

Madison DiPaolo | Analyst, Rosenblatt Securities:

Which end markets are expressing the most interest in the NeuroPro?

Amir Panoush | Chief Executive Officer:

It's board-based, I would say. We see it in automotive, we see it in some industrial applications, we see it also in smart home and consumer applications. If we look at the 10 plus more deals that we so-called licensed last year, it's really across all those four markets that I mentioned. So I can't point to one that is much more than the others, very significantly. It's nicely distributed and wide-based. So we mentioned also last quarter a PC OEM, so we are in the PC market consumer. Again, smart home surveillance and automotive industry.

Madison DiPaolo | Analyst, Rosenblatt Securities:

Okay, thank you.

Operator | Conference Specialist:

You're welcome. Thank you.

Betsy | Conference Operator:

The last question today comes from Martin Gang with Oppenheimer. Please go ahead.

Martin Gang | Analyst, Oppenheimer:

Hi, thank you for taking my question. My first question is on the Bluetooth radio. Is there any plan or intention to extend the IP to other connectivity products, notably Wi-Fi?

Amir Panoush | Chief Executive Officer:

Yeah, Martin, good question. Yeah, definitely. So we started and announced this product first. At the end of the day, we have very strong capabilities across the spectrum of wireless connectivity technology. And the intention and the plan is definitely to expand this to so-called a full solution offering across our wireless

connectivity portfolio. So starting with Bluetooth, as you mentioned, the next natural thing will be Wi-Fi, and then also UWB and our other technologies. Definitely that's the plan. And overall, also this quarter we announced on the satellite side that we're also moving more into complete so-called basement solutions. not just so-called offering the components like DSP accelerators, but really the whole basement subsystem. And that resonates very, very nicely with customers, especially customers that want to make a decision moving from make to buy, because they need to rely on more of a so-called ready-to-go solution to help them with time to market and success overall.

Martin Gang | Analyst, Oppenheimer:

Thanks, Amir. A follow-up on your answer, you mentioned that satellite communication, is that primarily still on the market deployment regarding smartphone with satellite-based messaging capabilities, or are you seeing more emerging applications of that?

Amir Panoush | Chief Executive Officer:

No, we're actually seeing much more potential on the emerging applications as well. So if we look at the different types of OEM out there, they're basically moving to provide more and more as a service, and part of the service, they need a complete solution end-to-end, and we are offering the wireless communication both from the terminal side as well as from the satellite side, and then they will build a so-called complete end-to-end offering with the service, and that service is really to be able to have ubiquitous type of connectivity, whether it's for industrial use cases, logistical use cases, and so on, or even places where there is very little coverage of wireless infrastructure, and they want to provide that augmentation. So those are all about system well beyond just mobile.

Operator | Conference Specialist:

Thank you.

Moderator:

Thank you, Morten. Yeah, thanks a lot, Morten.

Betsy | Conference Operator:

This concludes our question and answer session. I would like to turn the conference back over to Amir Panoush for any closing remarks.

Amir Panoush | Chief Executive Officer:

Thank you. In closing, we believe SIVA is well positioned as the industry continues to evolve towards physical AI. where connectivity, sensing, and inference converge at the edge. Our expanding portfolio, combined with our strategy to deliver more integrated, system-level solutions, is enabling us to increase our value per customer and strengthen our long-term royalty model. We remain focused on executing our strategy, deepening customer relationships, and driving sustainable growth. Thank you for your continued support. Richard, I will hand over to you to wrap it up.

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

Thank you, Amir. As a reminder, the prepared remarks for this conference call are accessible through the investor section of our website. With regards to upcoming events, we will be participating in the following conferences. Oppenheimer 27th Annual Israeli Conference on May 18th in Tel Aviv. The JP Morgan 2026 Global Technology, Media and Communications Conference, May 20th in Boston, Massachusetts. TD Cowen's 54th Annual Technology, Media, and Communications Conference, May 27th in New York. DEEPL's Boston Cross-Sector One-on-One Conference, June 2nd in Boston. The 6th Annual Rosenblatt Technology Summit, The Age of AI, June 10th, being held virtually. And the 16th Annual Roth London Conference, June 16th to 18th in London, England. 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.

Betsy | Conference Operator:

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