

# NASDAQ:COHU Q3 2025 Earnings Call Transcript

Generated on 6/10/2026

## **Operator | Conference Operator:**

Good day and thank you for standing by. Welcome to COU's third quarter 2025 financial results conference call. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question and answer session. To ask a question during the session, you'll need to press star 1 1 on your telephone. You will then hear an automated message advising your hand is raised. To withdraw your question, please press star 1 1 again. Please be advised that today's conference is being recorded. I'd now like to hand the conference over to Jeff Jones, Chief Financial Officer. Please go ahead.

## **Jeff Jones | Chief Financial Officer:**

Good afternoon and welcome to our conference call discussing Cohue's third quarter 2025 financial results and our outlook for the fourth quarter of 2025. I'm joined today by Luis Mueller, Cohue's President and CEO. If you need a copy of our earnings release, it can be found on our website at [cohue.com](http://cohue.com) or by contacting Cohue Investor Relations. A slide presentation accompanying today's call is also available in the Investor Relations section of the website. Replays of this call will be accessible via the same page after the conclusion of the call. During this call, we will be making forward-looking statements that reflect management's current expectations concerning CoHUE's future business. These statements are based on the information available to us at this time, but they are subject to rapid and even abrupt changes. We encourage everyone to review the forward-looking statement section of our slide presentation and the earnings release, as well as COHU's filings with the SEC, including the most recently filed Form 10-K and Form 10-Q. Our comments are current as of today, October 29, 2025, and COHU does not assume any obligation to update these statements for events occurring after this call. Additionally, We will discuss certain non-GAAP financial measures during this call. Please refer to our earnings release and slide presentation for reconciliation to the most comparable GAAP measures. Now I'd like to turn the call over to Luis Mueller, COHU's President and CEO. Luis?

## **Luis Mueller | President and Chief Executive Officer:**

Good day, everyone. Thank you for joining our Q3 2025 earnings call. I'm pleased to share our latest results and provide guidance for Q4. First off, Let's talk about some highlights. Recurring revenue continued to grow for the third consecutive quarter, driven by strength in interface solutions and task handler spares. Systems revenue improved sequentially for the fourth quarter in a row, though it remains below normalized levels. We had several notable events in the third quarter. We announced an offering of convertible notes on favorable terms, which closed just after the quarter end, and will support future growth and strategic initiatives. Jeff will discuss this in more detail later. We welcomed Matthew Hutton, our new vice president of strategy, focused on advancing our growth initiatives, including mergers, acquisitions, and partnerships. Prior to joining Cohue, Matt was head of corporate development at AspenTAC. We communicated repeat orders for NEON HBM inspection tools, raising this year's revenue forecast for these systems to between \$10 and \$11 million. These systems are used for inspection and metrology of high bandwidth memory devices, which are critical components in high performance computing and generative artificial intelligence applications. We shipped our first system configured for HBM4 inspection, reinforcing our optimism for future market prospects in high bandwidth memory. Our Eclipse handler, equipped with proprietary active thermal control, was selected for production tests of next-generation AI processor devices by a leading U.S.-based semiconductor manufacturer. The Eclipse platform is designed to scale seamlessly across diverse power applications, providing the flexibility and operational efficiency required to support our customers' evolving

high-performance processor roadmaps. This adaptability ensures that as processor technologies advance, our solution remains a reliable foundation for next generation computing needs. Our current thermal solution ensures optimal device temperature control and test repeatability up to 3,000 watts power dissipation with ultra-fast temperature ramp rates and tight thermal guard band, supporting demanding semiconductor test requirements. Now let's dive into the detailed results. Consolidated revenue reached \$126 million with both systems and recurring revenue improving quarter over quarter. Revenue was split 45% systems and 55% recurring. Non-GAAP gross margin of 44.1% reflects the value differentiation of our products and the resilience of our recurring business model. Estimated test serialization remained stable quarter over quarter, ending September at 74.5%. While systems orders moderated last quarter, growth in recurring revenue and new wins positioned us well for Q4 and beyond. We secured new business wins, including orders for our automated test equipment and automated optical inspection for high-growth markets. During the quarter, We secured roughly \$1.7 million in new business, highlighted by our first DiamondX order from a longstanding Cohue handler customer. This order will support the testing of application-specific analog power integrated circuits, serving key automotive and industrial market segments. This customer win marks the continuation of Cohue's growth in the mixed signal test market with DiamondX, as we push to diversify our test platform beyond RF and display driver IC test. We secured a new order of our Krypton system with a European customer enabling advanced optical inspection of devices used by a prominent US mobile phone brand. We booked a \$2.3 million order for precision analog test contactors at a US IDM and continue to diversify our test platform portfolio with this customer. We anticipate a seasonal slowdown in Q4, partially offset by ongoing market recovery, and remain optimistic about long-term prospects, especially in computing and high-bandwidth memory inspection. As tariffs return to the spotlight in recent news, I want to reassure everyone that Kohu's current exposure to China remains very limited. Revenue from customers based in China accounts for only a low single-digit percentage of our total consolidated results. Additionally, a substantial share of our business is generated outside of the U.S., further diversifying our global footprint. Thank you for your attention and continued support. And I'll turn it over to Jeff for a deeper dive into our financial results and Q4 guidance. Jeff?

### **Jeff Jones | Chief Financial Officer:**

Thank you, Luis. Before reviewing the third quarter results and providing fourth quarter guidance, please note that my comments refer to non-GAAP figures. Details about non-GAAP financial measures including GAAP to non-GAAP reconciliations and other disclosures are included in the earnings release and investor presentation on our website. For Q3 2025, revenue exceeded guidance and reached 126.2 million. Recurring revenue, which is primarily driven by consumables and is more stable than systems revenue, accounted for 55% of total revenue for the quarter. During the third quarter, three customers, one in the mobile segment and two in the automotive segment, each represented more than 10% of our sales. The Q3 gross margin was in line with guidance at 44.1%. Operating expenses for the quarter were \$48 million, which is \$2 million lower than guidance. This reduction was mainly due to the timing of R&D material now scheduled for receipt in Q4. Net interest income after accounting for interest expense and a small foreign currency loss was approximately \$1.1 million for Q3. The tax provision came in about \$3.5 million lower than forecast at \$11.7 million, resulting from the reversal of tax reserves following the completion of a jurisdictional tax authority audit. Moving to the balance sheet, cash and investments decreased by \$11.2 million during Q3. This was primarily due to cash used in operations to support a 17% growth in sales quarter over quarter and to fund a \$33 million increase in accounts receivable. No stock repurchases were completed during Q3. Since the inception of our share repurchase plan, we have repurchased around 4 million shares for approximately 117 million, leaving about 23 million available for additional future repurchases. Total debt stands at 18 million, unchanged from the previous quarter. Q3 capital expenditures were 4 million, mainly for facility improvements. We're maintaining our 2025 capital expenditure target of approximately \$20 million, which includes the \$9 million Malacca facility purchase completed in Q1. In late Q3, we announced a strategic convertible notes offering. In early Q4, we completed the upsized offering, raising gross proceeds of \$287.5 million at attractive rates, including 1.5% interest rate, 32.5% conversion premium, and a five-year term. We

purchased a 100% capped call to limit shareholder dilution until the stock price doubles and exceeds \$41 per share. The repayment structure of the notes is net share settlement, meaning Cohue will repay the principal of \$287.5 million in cash and has the option to settle any in-the-money amounts in cash, shares, or a combination of both. This structure, combined with the up 100% capped call, limits shareholder dilution. The net proceeds will provide additional liquidity to strengthen our balance sheet and support strategic initiatives. Looking ahead to Q4, as Luis noted, we anticipate a seasonal slowdown for systems, which is partially offset by continued market recovery. Overall, we expect Q4 revenue to be about \$4 million or 3.5% lower than Q3 driven by systems revenue. Our resilient recurring revenue is forecasted to increase for the fourth straight quarter and should represent about 60% of total Q4 revenue. Our guidance for Q4 revenue is approximately \$122 million plus or minus \$7 million. The gross margin for Q4 is projected at approximately 45%. Operating expenses are expected to be about 50 million, including around 2 million for variable R&D product development prototype materials. Total operating expenses are consistent with the restructuring plan targets implemented in late Q1 of this year. Once the full impact of the restructuring plan is realized at the beginning of 2026, we anticipate quarterly operating expenses to be approximately 49 million when revenue is around 130 million per quarter. Q4 interest income, net of interest expense, and foreign currency impacts is projected to be approximately 1.7 million at current interest rates. The Q4 tax provision is expected to be about \$4 million, and the diluted share count for Q4 is projected to be about 47.1 million shares. That concludes our prepared remarks, and now we'll open the call to questions.

### **Operator | Conference Operator:**

As a reminder, if you'd like to ask a question at this time, please press star 11 on your touchtone phone and wait for your names to be announced. To withdraw your question, please press star 11 again. Please stand by while we compile the Q&A roster. Our first question comes from Brian Chin with Stifel.

### **Brian Chin | Analyst, Stifel:**

Hi there. Good afternoon. Thanks for letting us ask a few questions. So I guess first question, nice to see the improved system revenue momentum, particularly from the mobile segment these past few quarters. Based on the customer broadening metric you shared and the uptick in utilization, is that the main area of improved near-term revenue visibility for the company? And how much confidence does this give you on sustaining some top-line momentum, kind of moving beyond the seasonal period into the first half next year?

### **spk02:**

Oh, hi, Brian.

### **Luis Mueller | President and Chief Executive Officer:**

Yeah, you're correct. I mean, a lot of... A lot of the momentum here in the third quarter was associated with a customer buying the Eclipse handler, but also HBM with the Neon system. I think those are sort of the two main highlights of the quarter. We have the Eclipse, though, qualified at another computing customer. I think we press released that already in the third quarter, just ahead of Semicon West. And then we also have... a few other customers that are evaluating the system, one going into a GPU application, sort of a new product version of a GPU for 2026, and then two others that are associated with data-centered network communication and an ASIC accelerator. So, I think it moves. Talking about confidence going into 26, I think we're more confident is that the HBM business is continuing to progress. We have had now, since the start of the fourth quarter, a couple of repeat orders for HBM. We have an engagement forming with a second customer where we're looking at what are the requirements and how we're going to address requirements to get another qualification going for one of our inspection pools. And like I said, we got several customers here

in different stages of evaluating the eclipse for applications in the data center. So I think it's going to continue to move around. We just saw a recent announcement from another one of our customers for their wins in the data center market where they're going after an inference data center device partnership. and we are playing a record with eclipse for that for that application as well so i think we're confident that we're broadening our business beyond the traditional auto mobile consumer industrial more towards the ai use applications whether it's the gpu or or the network processing and we should start seeing some some fruits of that in 2026 with the Eclipse in our inspection systems.

**Brian Chin | Analyst, Stifel:**

Got it. Maybe just to key on the points you made about the Eclipse handler with the active thermal T-Core subsystem. Can you help us understand what's driving that? When is it the higher wattage now for some of the newer AI processors that's coming out? And Does your platform continue to scale, it sounds like, with every year cadence here now in terms of more advanced and hotter chips kind of coming into introduction? Are you supplanting existing incumbents with that tool?

**Luis Mueller | President and Chief Executive Officer:**

Yeah, you basically hit the nail on the head. We talk here about 3,000 watts of power dissipation. I mentioned that in my prepared remarks. But that's sort of the current state. or what would be shipping for production needs in 2026. With that said, the requirements continue to go up, and we're already working on the next generation thermals that will support 2027 in different sets of applications coming up later next year as well. So your question is pretty much the answer to it. It's all about the... thermal power dissipation and power densities. We never talk about power densities, but power density per square inch of silicon as well, the size of the dyes, how delicate and the amount of force you have to apply. So it's all related to that complexity of dynamically controlling heat dissipation on very complex semiconductors actually doing tests.

**Brian Chin | Analyst, Stifel:**

Thanks. Maybe just one last quick follow-up. In terms of revenue contribution, is that sort of first half next year? And just, you know, compute, I think, has not historically been in recent years like a double-digit exposure segment, but do you feel pretty comfortable thinking that could be, you know, double digits next year for the year?

**Luis Mueller | President and Chief Executive Officer:**

Double-digit, you mean double-digit growth, double-digit from a revenue contribution? If you look from a revenue contribution, I would say... You know, I would expect computing to be sort of the low teens. You know, we always talk about systems and recurring, so not counting recurring in the mix here. I'm thinking it would be sort of the low teens percentage contribution of revenue going into 2026. Great.

**spk10:**

Thank you.

## **Operator | Conference Operator:**

Our next question comes from David Dooley with Steelhead Securities.

## **David Dooley | Analyst, Steelhead Securities:**

yeah thanks for taking my questions um to follow up on brian's question i guess you know it sounds like based on your eclipse win at a major ai processing company and i think you've press released another um win uh or tool of record with the cpu company is it a fair assumption that basically any of these apu cpus xpus gpus whatever the term is for networking processors, that they're all going to have to be thermally controlled and tested. So is it fair to assume that the TAM of this market is quite large, given that there's lots of large customers that you aren't serving yet?

## **Luis Mueller | President and Chief Executive Officer:**

Yeah, yeah, that's absolutely correct, Dave. I mean, we have, you know, the power dissipation levels vary quite a bit. I mean, we have some inference processors here that the talk right now is on the order of 600 watts of power dissipation. We have a high-end GPU, as I said, that's approaching 3,000 watts, just under that. We have some network processors that we are qualifying right now on the 1,200 to 1,400 watts. So it's a range of power dissipation levels, but they're really on the hundreds off to a couple thousand watts. and rising, you know, the roadmap really shows that going up.

## **David Dooley | Analyst, Steelhead Securities:**

So the higher the wattage, the higher the heat, and so that becomes more and more important. And so I guess it's a fair assumption that going forward, you might have a little bit more exposure on the GPU side with this product, you know, and networking, you know, the hyperscaler custom ASIC customers.

## **Luis Mueller | President and Chief Executive Officer:**

That's correct. The higher the wattage, the more complex these things are getting, the more it lends itself to expertise that we have at Cohube. We're being asked by quite a few customers now to address some of their requirements. They're very difficult. I mean, as you can imagine, when you're approaching 3,000, 4,000 watts of power dissipation, this is fairly complex. There aren't that many people out there that have the engineering and the technology to do this. So we're working pretty heavily on it. Needless to say, we're pivoting the business more towards AI applications.

## **David Dooley | Analyst, Steelhead Securities:**

Okay. And then when you think about overall AI exposure in 2025, could you help us with, you know, you add up this, you know, HBM inspection product and the eclipse and a few other things. What do you think your revenue stream is that's kind of dedicated to AI in 2025? And I basically assume it was almost next to nothing in 2024.

**Luis Mueller | President and Chief Executive Officer:**

Yeah, I would say it's pretty close to zero in 2024. Um, the AI, I mean, the AI here, you gotta be a little careful, right? To talk about AI, everybody tends to think of data centers, but, uh, there is actually, um, sort of a blend here of processors that are already running some level of language model in them. And I think if I look at 2025, a little tally here would tally up maybe sort of in the order of \$40 million, approximately \$40 million of system revenue this year on things that I could associate with know edge ai or data center related ai and uh and we expect that you to be growing uh going into 2026. thank you our next question comes from robert mertens with td cowan hi this is robert on behalf of krish sankar thanks for taking my questions i guess just the first one

**Robert Mertens | Analyst, TD Cowan:**

With the recent convertible race, how are you thinking about the best use of cash between developing some of the new areas of expansion, be it investment in the software business or high bandwidth memory versus historically completing a number of smaller Tuck and M&A deals to bolster the technology portfolio? And then maybe I'll just add in... your views on using cash for share repurchases? I know this has been on pause for the last few quarters. Thank you.

**Jeff Jones | Chief Financial Officer:**

Yes, good question. And really the answer is we want to pursue both paths. And in order to pursue acquisitions of any meaningful size, we needed to go through To the financing market, we needed capital, which basically drove our decision on the convert, strengthen the balance sheet, and have more flexibility when it came to growing through acquisition. And so we're going to continue to focus on organic development in the areas that Luis has been talking about. But clearly, we want to be opportunistic as well when it comes to M&A. And of course, with the recent hire of Matt, it's a priority for us.

**spk03:**

And so that's really the main driver for the convert.

**Jeff Jones | Chief Financial Officer:**

With respect to buyback, that's a sort of board decision. And yes, we're on pause for now should the stock valuation go to a point where we, you know, is more compelling. I think we would, again, get back into the game. But the objective for 2025 on the share repurchase was to offset dilution from our stock. equity compensation plan. And so we've essentially done that, did that in Q1.

**spk03:**

I suspect it'll be similar for next year.

**spk02:**

Got it. Thank you.

**Robert Mertens | Analyst, TD Cowan:**

And then thanks for the color on the latest Eclipse system. Maybe just going back to that, in terms of the areas where that's focused, is that sort of more of a broad-based system for any sort of in-market and you're just seeing more traction on the compute side with the power and the heat requirements than just in-demand in market today versus sort of your traditional auto industrial? Or is that something that auto and industrial customers could start to look into more once their in-demand picks back up? Thank you.

**Luis Mueller | President and Chief Executive Officer:**

Yeah, Robert, the Eclipse is not really – a traditional product for industrial applications or other applications. You could say we can use it for consumer products, we can use it for RFIC tests, we can use it for general mobile applications, but we've been really being more selective here with our engineering resources and putting them more around these complex thermal requirements. that we see in general AI processor needs. I think they've shared a collection of letters here that people use in AI today, from XPU, TPU, NPU, APU, GPU. And so we're really focused on that. We're really focused on, look, if it is AI related, whether it's a training or inference mode or network mode, backbone network connectivity, that's interesting because it applies or it lends itself well to our thermal technology. It lends itself to where we can differentiate. It lends itself where we can bring value to the table. So we're being quite selective on where we are deploying the Eclipse right now and the bandwidth that we're deploying against customers that have those challenges. So the product could be used for a variety of other things, not traditionally, not your traditional industrial auto use in this case. And so we're being more focused on AI in use cases.

**spk02:**

Got it. Thank you so much.

**Operator | Conference Operator:**

Our next question comes from Dennis Piacinini with Needleman Company.

**Dennis Piacinini | Analyst, Needleman Company:**

Great. Thanks for taking our questions. So even with the recent uptick in Q3, mobile system orders year-to-date versus year-to-date last year seem to be lagging somewhat behind other segments, kind of even in light of utilization recovery there. Why have system purchases in the segment lagged somewhat? And are you perhaps expecting strength in mobile into next quarter, even with systems guided down?

**Luis Mueller | President and Chief Executive Officer:**

No, not exactly, Dennis. I mean, we had a I mean, if you look at our Q3 revenue, mobile, I think, was actually our largest segment, right? Sort of tied hand-in-hand with automotive. I think the mobile-related shipments we largely completed here in the third quarter. Going into fourth quarter, we should see more shipments into the auto and computing space. And then I think mobile goes into, well, Sorry, I'm thinking more in terms of our testing. We'll see some mobile demand in RF test hit in the fourth quarter. So there's going to be a little bit of revenue there on that front. But by and large, I don't think mobile is going to be our largest segment in the fourth quarter. I don't expect that to be the case again. Great.

**Dennis Piacinini | Analyst, Needleman Company:**

So what about for automotive and industrial? The cyclical recovery continues to be kind of somewhat muted. What are you seeing in these markets in terms of recovery? So I think you're saying there's going to be some strength into Q4, but is there any visibility beyond that?

**Luis Mueller | President and Chief Executive Officer:**

Yeah, there's some puts and takes. You're right. This has been sort of an elusive recovery both in auto and industrial. I think we have had a quarter where we had some green shoots in auto in Q2, I want to say, And then it had some green shoots in industrial. What we're having now is more talks from customers that are saying that they are back to the mode of needing initial capacity in the auto and industrial segment. Talking about some initial demand in Q1 of next year, into Q2 of next year. Nothing dramatic yet. But the stocks are starting to improve. We also see an increase in spare sales to our handlers in the auto and industrial segment, basically supporting the fact that they're taking systems that have been put aside, so underutilized segment, for test and bringing those systems back online. I think, like I said, we had three consecutive quarters now of recurring business improving. and continue to project the fourth quarter recurring business to improve again sequentially. This applies both to, like I said, spares for our test handler systems, which is a very good indicator, as well as improvement in our test interface business.

**Dennis Piacinini | Analyst, Needleman Company:**

Great. And then briefly, could you discuss the gross margin strength sequentially into Q4, even with revenue being down a little bit? What's driving that?

**Jeff Jones | Chief Financial Officer:**

There's a mixed component to it, Dennis. And as Luis just mentioned, we've got increasing recurring revenue, which has gross margins in the mid-50s. And so we're expecting the recurring revenue to be about 60% of the total revenue. It was 55% in Q3. I think that's the main driver of that increase in gross margin quarter over quarter.

**spk09:**

Great. That's very helpful. Thank you very much.

**Operator | Conference Operator:**

That concludes today's question and answer session. I'd like to turn the call back to Jeff Jones for closing remarks.

**Jeff Jones | Chief Financial Officer:**

Thank you. And before we sign off, I'd just like to note that COHE will be attending several investor conferences over the next three months. The Stiefel Midwest Conference on November 6th in Chicago, the New York City CEO Summit Conference on December 16th, and the Needham Virtual Conference on January 15th of next year. If you plan to attend any of these conferences, please reach out to your conference contacts or contact us directly to arrange a one-on-one meeting.

**spk03:**

Thank you for joining today's call. We look forward to speaking with you again soon.

**Operator | Conference Operator:**

This concludes today's conference call. Thank you for participating. You may now disconnect.