# NASDAQ:COHU Q1 2026 Earnings Call Transcript

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## Operator | Conference Call Operator:

Good day and thank you for standing by. Welcome to CoHUE's first quarter 2026 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 first quarter 2026 financial results and our outlook for the second quarter of 2026. I'm joined today by Luis Mueller, CoHUE's President and CEO, and Matt Hutton, CoHUE's VP of Strategy and Investor Relations. If you need a copy of our earnings release, it can be found on our website at 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 information available to us at this time, but they are subject to rapid and sometimes abrupt changes. We encourage everyone to review the forward-looking statement section of our slide presentation and the earnings release, as well as co-use filings with the SEC, including the most recently filed Form 10-K and Form 10-Q. Our comments are current as of today, April 30th, 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 the 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 CEO:

Good day, everyone. Thank you for joining our Q1 2026 earnings call. We started the year with strong momentum across multiple product lines with orders up 57% year-over-year, reflecting both improved semiconductor market conditions and the increasing relevance of our technology portfolio across AI and high-performance compute applications. An important driver of this momentum is the expansion of AI workloads and inference processing, driving greater computing power density that has become a primary bottleneck. AI accelerators and HPC processors generate immense amounts of heat during operation. Testing these chips requires maintaining precise temperature environments to ensure functional accuracy and long-term reliability. If a chip is tested at the wrong temperature, its performance metrics may be skewed, leading to lower yields or worse, latent field failures. As a result, Cohue's proprietary and industry-leading thermal capabilities are highly valued by customers. Based on current engagements and design activity, we now see a computing segment opportunity pipeline of approximately $750 million. including roughly $650 million in test handlers and an additional $100 million from HBM inspection, and both growing at rapid rates. For fiscal 2026, we're now increasing our high-performance computing revenue outlook to approximately $80 to $100 million. We're emboldened by the opportunity pipeline across 12 customers with five customers in qualification stage and another seven in early engagement stage. During the first quarter, we continue to benefit from rising device complexity, higher power density, and accelerating AI adoption, trends that are reshaping tasks, inspection, and manufacturing requirements across the semiconductor value chain. In fact, semiconductor value is moving to the mid- and the back-end manufacturing driving substantial growth in the test arena. Estimated semiconductor test serialization also increased sequentially to 78% at the end of the first quarter. Automotive and industrial markets are gradually improving again as customers started investing in test capital. Many of our customers are broadening their product portfolio to serve AI data centers as these transition to 800-volt DC infrastructure And more power management efficient solutions with gallium nitride technology at rack-scale server boards such as the new Vera Rubin platform. Across each of these applications, our customers are prioritizing quality, performance, and scalability. At the same time, software platform gained traction as analytics moved from pilot deployments into broader production environments. These wins validate both the technical performance of our solution and the growing appetite for software-enabled yield and productivity investments. There's a significant SIEM opportunity for Cohue in this space and a significant lifetime value in software subscription. This is illustrated well in the first quarter, when a $20 million system order came together with $330,000 a year of software subscription, which over the course of the lifetime of these systems could yield approximately $5 million in recurring revenue. The financial implication of this shift is twofold. First, software subscriptions provide high margin, recurring revenue that is less susceptible to capex cycles. Second, by improving overall equipment efficiency and reducing mean time to repair for customers, we build deep operational stickiness that makes it difficult for competitors to displace our systems. I would now like to highlight a few customer wins in the first quarter. Starting with our test handler business, we've orders up 54% year over year. We secured two major Eclipse orders in the first quarter. The first win supports AI data center applications with a US Fabless customer developing server and inference devices. As power density and mechanical complexity increase, Eclipse, combined with our T-Core active thermal control, enables the customer to standardize on a common handler platform across multiple device generations. This reduces capital risk while extending the life and value of the installed base. Closed-loop junction temperature control was a key differentiator, ensuring consistent temperature test quality, higher yields, and faster production ramps. In addition, the customer is adopting CoHue-based prescriptive analytics software to improve equipment efficiency, increasing system value, enabling recurrent revenue for CoHue, and strengthening long-term engagement. Strategically, this win deepens our computing footprint, embeds Eclipse into the customer's roadmap, and positions us as the platform of record, representing an estimated $100 million incremental revenue opportunity at this account over the next three years. The second order supports data center computing, mobile, and automotive processors at another EUS-based Fabless customer using the Eclipse platform. Our solution allows both the customer and their OSATs to address multiple markets while leveraging T-Core thermal control to maximize yield and asset utilization. Together, these strengthen our engagement across high-performance computing and AI markets, driving near-term system revenue and long-term platform, software, and recurring value growth. Our customer engagement for Eclipse expanded in the first quarter, with an additional five customers in different stages of qualification, representing an incremental $200 million of revenue opportunity starting late this year and into next year. We're very bullish about the customer traction and the growing opportunities to expand our presence in this $750 million high-performance computing market. These opportunities are rapidly taking shape as compute power increases and with the need to actively manage silicon junction temperature at higher power and power densities. Now turning to our inspection and metrology business with orders up 64% year over year. In HBM memory, we continue to see strong momentum for final inspection of HBM3 and HBM4. We're investing in this market and keeping pace with design requirements to support next-generation HBM5. We're now forecasting revenue growing 80% year-over-year to approximately $20 million with our Neon HBM platform. In the first quarter, we also secured a a significant volume repeat order for our Eon inspection system from a U.S. headquarter and also from a Korean customer. Our inspection business is growing fast, and we estimate revenue at approximately $70 million this year. Semiconductor test orders recorded an impressive 163% increase year over year. Headlines around AI infrastructure typically focus on the massive compute devices required to train and run large language models, along with the memory and networking technologies that enable scale across the data center. Less visible, but equally critical, is power delivery. Every AI system depends on precise, efficient power management to sustain peak performance. This is where the DiamondX precision instrumentation becomes decisive. Our tester was qualified for testing power devices, strategically expanding our footprint in AI-related applications, and embedding it more deeply into our customers' roadmaps. As power density increases, customers are implementing GAN-based technology to minimize energy loss and thermal impact. While GAN offers a clean efficiency advantage, it remains less mature than traditional CMOS, creating technical and economic challenges as customers scale production to meet data center demand. Moving to our interface solutions group, We've seen increased adoption of our higher current contactors for AI power applications at existing customers. We also expanded our product offering and received multi-unit order for a new silicon photonics solution. These photonics switches form the backbone of cloud and AI Ethernet fabric, and we're now testing them. In closing, Q1 was a strong start for the year and a clear validation of our strategy. We see momentum rapidly build across AI infrastructure, high-performance compute, power management, and smart manufacturing, driven by rising device complexity and increasing power density. Our expanding presence in thermal handling, advanced inspection, precision test, and high-value software is translating into larger platform wins, recurrent revenue opportunities, and deeper customer engagement. With a $750 million computing segment opportunity in front of us and improving utilization across our core markets, we are accelerating R&D investments to capture new customers, and we are expanding production capacity to move confidently through the remainder of this year and into 2027. These secular tailwinds, combined with disciplined execution and continued investment in innovation, position Cohute to deliver durable value for our customers and shareholders. Thank you for your continued support. I will now turn the call over to Jeff for a deeper review of our financial results and forward-looking guidance. Jeff?

## Jeff Jones | Chief Financial Officer:

Thank you, Luis. Before reviewing the first quarter results and providing second 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 Q1, 2026, revenue exceeded midpoint of guidance at 125.1 million. Recurring revenue driven primarily by consumables and typically more stable than systems revenue represented 60% of total revenue. No customer accounted for more than 10% of total sales during the quarter. Gross margin was 46.5% above guidance, primarily reflecting a more favorable mix as recurring revenue exceeded our forecast. Operating expenses were higher than guidance at 55 million, reflecting our decision to scale resources to support the rapid increase in high performance compute opportunities. This included accelerated spending on design materials as well as incremental engineering and field support to fulfill production orders and complete new opportunity qualifications. Net interest income after interest expense and a small foreign currency loss was approximately 2.1 million. The Q1 tax provision was lower than guidance at $4.8 million. Now moving to the balance sheet. Cash and investments increased approximately $5 million during Q1 to $489 million, and cash from operations was $10 million. No stock repurchases were completed during the quarter. Total debt is $305 million and includes $288 million from the Q4 2025 convertible debt offering. Capital expenditures were approximately $2 million, mainly for facility improvements and IT equipment. We're targeting total capital expenditures to be about 2% of revenue in 2026. Looking ahead, we expect Q2 revenue to increase 15% sequentially and 34% year-over-year to approximately $144 million plus or minus $7 million. The increase is driven by demand tied to the ramp and high-performance compute opportunities and continued recovery in automotive and industrial segments. We're increasing our full-year 2026 revenue outlook for growth over last year of 20% to 25%. Q2 gross margin is projected to be approximately 44%, For the full year, 2026, we project gross margin in the mid 40% range as we ramp our supply chain and production capacity to support the rapid business expansion in high performance computing customers. Operating expenses are expected to be lower than Q1 at about 53 million. We intend to continue investing in resources to capitalize on the growing list of HPC opportunities and we expect quarterly operating expenses through the balance of the year to remain in the low 50 million range consistent with our Q2 guidance. Net interest income in Q2 after interest expense and foreign currency impacts is projected to be approximately 2 million at current interest rates. The Q2 tax provision is expected to be about 5.3 million and diluted shares are projected to be approximately $52.6 million, including 4.2 million shares attributable to the convertible debt. And of that amount, 3.3 million shares will be fully offset by the capped call, but are required for U.S. GAAP diluted EPS calculations. In summary, our operational focus for 2026 is to support R&D investments and production ramp needed to secure multiple design wins in the compute market, including AI data center infrastructure, HBM memory, and physical AI applications, while progressively increasing free cash flow generation. That concludes our prepared remarks, and now we'll open the call to questions.

### Operator | Conference Call Operator:

As a reminder, if you'd like to ask a question at this time, please press star 11 on your telephone and wait for your name to be announced. To withdraw your question, please press star 11 again. 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, a lot here, but in a good way. Maybe firstly, breaking down the guidance for 2Q, 15% Q1Q growth. Can you maybe give us a sense how much of that is the ramping new HPC customer business versus maybe ramp in the broader base business, if that makes sense? And also tied to that, of the maybe $100 million, if you were to sign up no more new customers through the end of the year, of that $100 million, how much of that still remains to be revenue through the second half?

### Jeff Jones | Chief Financial Officer:

Yeah, so at least on your first point here, Brian, the quarter over quarter increase in HPC systems revenue was about 10 million. So it's just under half of our increase quarter over quarter. And that puts us then for HPC at least systems revenue, in the first half of 2026 at roughly about $30 million.

### Luis Mueller | President and CEO:

I think that pretty much answers the second part of the question of what's left for the second half right there.

### Brian Chin | Analyst, Stifel:

Exactly. I can do that math. Thank you. Okay, that's helpful. And in terms of the – how are you thinking about – and this maybe could mature over time around higher volume, but how should we think about the – system margin contribution, gross margin relative to the overall blended average company?

### Jeff Jones | Chief Financial Officer:

Yeah, what we saw in Q1 was a gross margin split of roughly 50% on recurring, roughly 40% on systems.

### Unidentified Speaker:

So I think we're going to hold that for

## Jeff Jones | Chief Financial Officer:

the balance of the year, the system's revenue percentage will increase. Well, the system's revenue is going to increase faster than the recurring. And so that is why we see the 46.5 gross margin in Q2 hitting a little bit of a headwind in the second half. And so we think we're going to end the year somewhere in the mid 40% gross margin.

## Brian Chin | Analyst, Stifel:

Okay, great. And then maybe one other question. You talked about sort of this pipeline where you have three customers. Was that 100 million kind of the aggregation of this year, or is that over a multi-year horizon?

## Luis Mueller | President and CEO:

No, the qualified 100 million is sort of this year's spend from these customers. Now, we're... Like I said, we're probably going to be getting a portion of that this year, not the entirety of it this year.

## Brian Chin | Analyst, Stifel:

Like an annualized sort of potential?

## Unidentified Speaker:

Yeah.

## Brian Chin | Analyst, Stifel:

Luis, with the other five customers, are they kind of equal size within that $150 to $200 million? Or how would you sort of gauge which ones are like, you know, further along or less far along in terms of ones that could be, you know, contributors even to the back end of this year?

## Luis Mueller | President and CEO:

Yeah, they're not all equal size, Brian. I mean, we got, you know, kind of a 10 to $40 million spread depending on the customer here on an annual basis, the way we see it. We expect to be getting some qualifications completed by early Q3. The question is, do we then have an opportunity to get orders and participate on demand still in 2026. Those are lead times, support that as well or not. And so it's hard to call right now if it's going to end up hitting revenue in Q4, plus obviously revenue recognition as well. You've got to account for accounting rules or if this is going to end up spilling more like early 2027 at this point.

## Brian Chin | Analyst, Stifel:

Great. And then maybe a a good problem to have here. But in terms of where lead times for sort of the thermal test handler, T-Core, Eclipse, are, where do you think you can kind of keep them this year? And that maybe will also, like you said, inform what the revenue could be this year versus what might have to be captured next year.

### Luis Mueller | President and CEO:

So we are operating at about 14 weeks. I should say cycle time instead of saying lead time on handlers right now, on our thermal handlers. I think a bit of the challenge is if you get a $30 million order, not all of it's going to ship in 14 weeks, as you can imagine. It's spread over several weeks, several months. And as we start layering additional customers, we are working hard here to open that manufacturing pipeline, both from a supply chain side, meeting regularly now with suppliers and understanding who are the choke points, particularly for our thermal heads, As well as internally, we are hiring resources in Malaysia. We're looking at a relay out of the facility in Malaysia to open up more floor space. So I can tell you 14-week cycle time, but lead time really largely depends on the size of the backlog we have in front of it.

### Unidentified Speaker:

Great.

### Operator | Conference Call Operator:

Thanks. Our next question comes from David Dooley with Steelhead Securities.

### David Dooley | Analyst, Steelhead Securities:

Yes, thanks for taking my questions. Congratulations on nice results, particularly the outlook. I was wondering, you know, as far as your core business goes, you know, all of your customers on the conference calls are really talking about how their AI data center business, you know, are ramping at very rapid growth rates, you know, 50 to 100%. And I get the sense that that kind of fills gaps you know, all of the excess capacity that might have been pointed from those customers at other end markets. And so I guess, are you hearing that from your customers that essentially that their AI businesses have kind of, you know, filled up their utilization rates and they're coming in for more larger volume purchase orders going forward?

### Luis Mueller | President and CEO:

What I'm seeing more, Dave, is actually a bit of a pivot towards... towards CPU, large CPU demand, ASIC, accelerators. We're seeing also network processing demand. Up until recently, a lot of it seemed to be very focused on a singular or largely a singular customer driving a lot of GPU capacity in the industry. As of maybe a quarter ago, a little bit more than a quarter ago, that seems to be spreading out more broadly here as inference starting to pick up and sort of the realization we need more computing power going along with the GPU power that's being deployed. That's more of what I'm seeing. It's sort of that spread out of demand for different types of processors and network processors inclusive.

### David Dooley | Analyst, Steelhead Securities:

Okay. That kind of leads me to my next question. You know, I think you used the term XPU, but typically CPUs, GPUs, XPUs, TPUs, whatever you want to call them. Right. Right, of all sorts, all have, you know, high voltages, create a lot of heat. So all of these, you know, in-market customers that you hear about from the custom ASIC guys to the GPU guys to the CPU guys, all of them need some sort of temperature-controlled handling equipment for their processors, correct? Correct.

### Luis Mueller | President and CEO:

That is correct.

### David Dooley | Analyst, Steelhead Securities:

And is that the market that you're referring to when you talk about the $750 million TAM? Is that kind of aggregating what most of these customers' thermally controlled temperature handler demand is? Or how do you come up with that $750 million?

### Luis Mueller | President and CEO:

Yeah, and by the way, we're not calling it necessarily a TAM. We're calling it more like a SAM, to be fair. because we have a pretty defined list of customer and customer device classes that we're tallying up to 750 million. I think if we were to talk about a TAM, it's likely a bigger number, and we're not attempting to gas that, so we're not going there. We're being very targeted here to the list of 15 customers that we have tallied and customer applications that we have tallied up. that comes up to the $750 million. That's what it is. It's a very targeted list. We know what these customers have for buying pattern this year. And that's where we come up with that number. We also understand that some of these customers are ramping. So I guess the expectation is that that SAM itself could be bigger next year. But like I said, we're not trying to guess the TAM, the total available market. We're just guessing here from customer information what we see for their spending this year.

### David Dooley | Analyst, Steelhead Securities:

Okay. And then final question for me is could you just elaborate a little bit more on the silicon photonics and what exactly the application is you addressed there and, you know, how big a piece of business that could be, let's say, you know, next year, I realize, because we're just starting off now. But maybe just elaborate a little bit more on what you're seeing there. Thank you.

### Luis Mueller | President and CEO:

Sure. That is really, I would call, a beachhead business at this point. We sold a number of interface, you know, we call it contactors, right, interface products here for silicon photonic application at one of the large accounts. You know, there's really two major drivers in the industry, I think, today and a few others. But these are interface products. So you're talking about sort of $10,000 or so contactors that we sold several off. We are working to provide solutions that include our handler with the contactors, but I'm not going to venture to guess what kind of revenue opportunity for 2027 that is at this point. It's not included, not really included in our $750 million at the moment.

### David Dooley | Analyst, Steelhead Securities:

Okay, but the point is, you know, you kind of got your foot in the door with the test contactors, and hopefully you can sell them a piece of capital equipment as well. That is correct. That's going to be a big market.

### Luis Mueller | President and CEO:

That is correct. Thank you, Luis. You're welcome, Dave.

### Operator | Conference Call Operator:

Our next question comes from Craig Ellis with B. Reilly Securities.

### Craig Ellis | Analyst, B. Reilly Securities:

Yeah, thanks for taking the question, and congratulations, son. the revenue performance in the quarter and the outlet guys. Luis, I wanted to start off just by understanding the specific drivers to the increase in HPC system revenues this year. It looks like about a $20 million increase at the midpoints of the prior to the new expected range. Can you just detail what's going on inside of that?

### Luis Mueller | President and CEO:

Yeah, thanks, Greg. Thanks for the question. I think we finished the qualification. We're very successful in the qualification of the Eclipse at one particular account that sort of looked like, okay, we could capture a bigger share of the revenue in 2026. So we qualified, I guess, in time to catch the next round of orders. And that just increased the size of the pipeline for this year. That's just simply that.

### Craig Ellis | Analyst, B. Reilly Securities:

Okay. And then, nice to see orders up 62% quarter on quarter. Can you help us with some color on where you're seeing that strength? Is there a performance towards OSAP versus IDM? And do you expect to ship all those systems this year in any color on linearity would be helpful?

### Luis Mueller | President and CEO:

Yeah. When we look at orders here, it's actually roughly, depending on the market segment you pick, it's about 30%, 40% increase year over year. There's one segment in particular that is driving, not surprisingly, given what we're talking about here, it's computing, that it's up about 211% year over year. That's pretty much what's driving the business. Now, I do have to say... The industrial segment is picking up a bit as well. That is also strong, came out pretty decently strong in the first quarter.

### Unidentified Speaker:

Okay, and regarding shipment timing for all those orders?

### Jeff Jones | Chief Financial Officer:

Yeah, so I see a ramp in... in Q3 and of course some of that will fall into Q4 as well.

### Unidentified Speaker:

Got it.

### Craig Ellis | Analyst, B. Reilly Securities:

And then just going back to the point that the company is making on page seven of the deck where we've got the expanded AI computing pipeline with almost a half a billion in engagement and then 150 million to 200 million in qualification. Can you provide any color how quickly we can move some of that engagement activity into qualification and then through qualification, how much of that is really something that can convert in 2026 versus what you might have your eye on for 2027, guys?

### Luis Mueller | President and CEO:

I think at this point, Craig, it would be safe to say that we're working to complete the qualification of the about $200 million opportunity in 2026. As I mentioned earlier on a previous question, we'll see if we can get some of that revenue also in 2026, but largely 2027. On the balance here, the remaining $450 million, $500 million, Those engagements are likely to move into QUAL later this year, beginning of 27. I don't expect it to be any sooner than that.

### Craig Ellis | Analyst, B. Reilly Securities:

Okay. So a way we could look at it would be you have an opportunity to convert a significant amount this year, but the larger percentage would be something that you could convert next year. Is that right, Luis?

### Luis Mueller | President and CEO:

That is right. That is right. And, you know, a qualification of these things take a good six months time frame. And then from there, production ramp. I do have to point out a little bit here, too. Largely, the recurring portion of this is going to come out, you know, about a year after shipping systems, right? So you got to remember our system ship with about a year's worth warranty. Once that expires, you start getting the spares, the service. These devices typically have 18 months lifetime anyways. Thereafter you start getting new kit orders, you start getting potentially new thermal head orders for upgrades. It's high performance computing, so those thermal heads are very specific to the application. Maybe you can use it across two generations, but the thermal heads themselves eventually you need to replace. You know, within a 12-month time frame, we should start seeing the recurring revenue kicking in. And the recurring revenue, maybe it wasn't really clear on the slide here, is included on that $500 million bucket as well.

### Craig Ellis | Analyst, B. Reilly Securities:

Okay. So you've got a nice one, too, but with the second punch included in the chart.

### Luis Mueller | President and CEO:

Yep.

### Unidentified Speaker:

All right. Thanks, Luis. Thanks, Jack.

### Operator | Conference Call Operator:

Our next question comes from Robert Mertens with TD Cowan.

### Robert Mertens | Analyst, TD Cowan:

Hi, this is Robert Mertens on for Christian Sancar. Thanks for taking my questions. So I believe last quarter you had highlighted a Krypton inspection metrology system order for an automotive customer had transitioned into using some positive benefit in your inspection software. and then also mentioning all the additional software opportunities during this March quarter. I'm just trying to wrap my head around how we should think about the potential software opportunities throughout your business if there's a specific platform or area that the software opportunity might be higher.

### Luis Mueller | President and CEO:

Yeah, sure, Rob. The software right now is very much going – kind of hand-in-hand with our sort of test handlers and inspection systems. So basically the automation pieces, okay? We have an element of software we call PACE inspection, goes in with the inspection platforms. It helps optimize yield of the inspection systems. And then we got a PACE prescriptive that goes along with both test handlers as well as inspection metrology systems that help optimize overall equipment efficiency optimized maintenance, predictability, and output of the factory. If you think about that software base, we are now currently at an ARR, annual recurring revenue here, of about $1.2 million. This is what we have in bookings for annual subscription of software. The attachment rate of that subscription, it's still pretty low. It's really about 1.3% of our systems have a software subscription attached to it. So a low number, so plenty of room to grow. But as I pointed out here in the script, the value of that software is pretty big because if you get it in, like we got here in the example given, $20 million system order, $330,000 of software annual subscription, through the lifetime of that product, that's about a $5 million of recurring revenue we're going to collect through the lifetime of the product at a pretty high margin. So it's still a small piece of the business. It is a growing piece of the business. It's growing fast. I think we're expecting it to be close to $3 million in revenue this year. That's more than 200% growth year over year. But it does carry a really nice lifetime value recurring component to it. that adds to our overall recurring business.

### Unidentified Speaker:

Got it. Thank you. That's very helpful.

### Robert Mertens | Analyst, TD Cowan:

And then just, you mentioned some incremental strength in the orders from automotive and industrial markets this quarter. I'm just trying to wonder how you expect that business, the auto handler business to pick up in the back half of the year. And then maybe if I can just squeeze one last one in, if there's any typical seasonality in the RF test business.

## Luis Mueller | President and CEO:

Okay. So in the first portion, I think, you know, if I refer to how Jeff answered the question of what's driving the incremental quarter over quarter here in Q2, about half of our Q2 increase in revenue is driven by non-compute markets, right? And that is fundamentally industrialized. and to a small degree, auto, but fundamentally industrial. We're seeing that pick up right now. Another interesting data point here, the industrial utilization, test utilization at the end of Q1 was 79%. So it's right there at that capacity by threshold of 80%. Industrial is doing well. It had a good increase in orders quarter over quarter, and about half of the revenue growth quarter over quarter going into Q2. On the RF side to your question, we're also seeing a bit of a pickup on RF tester orders sales in the second quarter. There is typically a seasonality. That seasonality tends to be late year, like Q4 to early Q1 when RF picks up. It's a little late here. We're going into Q2 and seeing a bit of a pickup in RF. Can't completely explain that to you why. And then obviously there are technology transition points that are major drivers in RF, one coming up in the next 18 months or so associated with FR3 or what's commonly known as 6G.

## Unidentified Speaker:

Thank you. That's very helpful.

## Operator | Conference Call Operator:

Our next question comes from Christian Schwab with Craig Hallam.

## Christian Schwab | Analyst, Craig Hallam & Co.:

Great. Thanks for all the guidance and congratulations on giving multi-quarter guidance again. My only question has to do with M&A. Previously, we've talked about acquisitions, particularly possibly in recurring revenue streams that you were looking at and targeting. Can you give us an update on your thoughts on M&A currently?

## Matt Hutton | VP of Strategy & Investor Relations:

Hi, Christian. Matt Hutton here. Yeah, so, I mean, we continue to look at opportunities, as you can imagine from what Luis and Jeff highlighted. They're mostly opportunities in the reoccurring space, our growth areas. You know, we'll continue to be disciplined, look at buy versus build analysis. and look for opportunities you know unfortunately a lot of the tailwinds that some of these companies are receiving that we're receiving they're also receiving so a lot of valuations remain remain elevated but we'll continue to be disciplined and look at opportunities in our growth areas great and and then louise given you know i know we're moving now multi-quarter guidance here for 26 but

## Christian Schwab | Analyst, Craig Hallam & Co.:

Given all the positive dynamics as well as future orders transitioning to revenue in 27 instead of 26, should we assume if all things remain consistent that you'll grow in 27, your top line, at the same rate that you expect to grow in 26?

### Luis Mueller | President and CEO:

We certainly expect growth in 27. I mean, we have that in-qualification bucket there of $150 to $200 million that will add to 2027. I'm also pretty encouraged with overall test utilization getting very close to that 80% mark. So all things being equal, yeah, growth in 2027. At what rate? We haven't tried to pencil that in yet, so we're going to reserve another quarter or two before we talk about that.

### Christian Schwab | Analyst, Craig Hallam & Co.:

Great. No other questions. Thank you.

### Operator | Conference Call Operator:

Thanks. Our next question comes from Dennis Piacinan with Needham.

### Dennis Piacinan | Analyst, Needham:

Great. Thank you. So prior, your HPC forecast was about $25 to $30 million for this year, and now you've moved it up to about $100 million. And I think in your presentation, it said that about $30 million of the $100 or so would be eclipsed. So can you tell us about the remaining $50 to $70 million of that? mostly testers? Is that other handlers? Can you kind of break down that remainder, please?

### Jeff Jones | Chief Financial Officer:

Yeah. Hey, let's back up a little bit. So initially we came out and we said HPC revenue in the $60 to $85 million range for 2026. What we're doing now is increasing that $60 to $85. We're increasing that to $80 to $100 million. Most of that relates to the Eclipse handler. The NEON for HBM inspection, we previously said was 15 to 20. I think we're at the higher end now of that range. And we're, you know, we are, as Luis had mentioned, we're in qualifications or finished qualifications for our testers also participating in some HBC revenue.

### Unidentified Speaker:

Does that help clarify? Yeah, okay.

### Dennis Piacinan | Analyst, Needham:

Yes, yes. Thank you. And then, so I think you, so you'd also said that, um, you're now kind of expecting 2026 total revenue to be up 20 to 25%. So, I mean, if I kind of just run rate you at 100 and, you know, 44 million, basically for the rest of the year, you basically get to that number. So, um, and we're basically assuming revenue will be going flat from one 44 through the rest of the year will be, will there be a little bit of a dip in Q3? Is there anything more you can say about kind of the cadence of revenue?

### Jeff Jones | Chief Financial Officer:

Yeah, the way we see it now, Dennis, you know, we would expect Q3 to be pretty similar to Q2, somewhere in that 144, 145 range. Q4, you know, we could have some seasonality, so a slightly weaker Q4, maybe down single, single mid, single, single, mid single digit, yeah.

### Luis Mueller | President and CEO:

uh quarter over quarter great that's helpful thank you and then lastly maybe i think you mentioned um you know some further engagements with the the us and korean customers can you tell us more about that please yeah we were talking about inspection metrology business here we we saw um a big increase in orders in inspection metrology in the um in the first quarter in fact Let's see here. I think it's up year over year 64%. We are expecting that business to hit about $70 million in revenue this year. And what's driving that? One is HBM, which we're now guiding to about $20 million in the year. And the other one is just further demand for inspection products from both a US and a Korean customer with large orders in the Q1 time

### Unidentified Speaker:

That's helpful. Thank you. That's it for me.

### Operator | Conference Call Operator:

Our next question comes from Vedvati Shrotra with Evercore ISI.

### Vedvati Shrotra | Analyst, Evercore ISI:

Hi. Thanks for taking my question. So I kind of wanted to double-click a little bit on the gross margin piece. So, you know, you have good RAMs on the HPC front in the second half. So, like, would the systems gross margins, like, wouldn't they sort of pick up in second half versus first half?

### Jeff Jones | Chief Financial Officer:

Yeah, I think that's a good observation, Vee. However, we are having, we are incurring some higher initial costs here to ramp the Eclipse supply chain and production. It's coming out very quickly. It's a new configuration. And so we're having to spend more money, more cost, again, on supply chain and production. I expect those costs to carry through almost probably through this year. So 2027, you know, we will see lower costs, particularly for Eclipse. On top of that, I think similar or in line with other companies, right, there's there's a smaller, there's a small impact from higher energy and freight costs. So, you know, to the tune of about 10 basis points. On top of that, we are also seeing higher cost of memory ICs that we use on our products. You know, it's not a large, huge number, but it's about 10 basis points. I understand.

### Vedvati Shrotra | Analyst, Evercore ISI:

Are those the drivers for the dip into Q1 gross margins? Is that like the, the, the,

### Jeff Jones | Chief Financial Officer:

know 200 bits of a decline that you have can you maybe characterize what's cost driven what's uh kind of mixed driven uh well yeah it's kind of a combination here it is it is okay uh definitely cost driven as i mentioned for the eclipse platform in terms of supply chain and production um and then you know to a certain extent that also relates to mix right but i'd say i'd say Cost first, mix second.

### Vedvati Shrotra | Analyst, Evercore ISI:

Understood. Okay. And then in terms of R&D spend, like, how should we think about R&D intensity for the rest of the year? Like, I would assume, like, as you're going after these bigger markets, you know, $750 million in SAM opportunities, essentially what's the right way to think about R&D intensity? I assume it would be higher, but maybe some color there.

### Jeff Jones | Chief Financial Officer:

Yeah, you bet. So I'm forecasting Q2 will be lower than Q1, but we're going to still be elevated from the model. So we're going to be about $53 million for Q2 operating expense, and that's because we are going to continue to invest in the resources to capitalize on these opportunities that we have in HPC. So I expect that sort of 53 or call it low, you know, low 50 million range to persist through the second half of this year.

### Luis Mueller | President and CEO:

For OpEx.

### Jeff Jones | Chief Financial Officer:

For OpEx. Yes.

### Vedvati Shrotra | Analyst, Evercore ISI:

Okay. And then the last one on the, you know, on the qualifications you have on the pipeline, 150 to 200 million, how, how does that split, you know, or maybe the five customers, like how does that, neon versus eclipse opportunity?

### Luis Mueller | President and CEO:

These are all eclipse. These are all eclipse thermal handler application to some form or another of a processor device.

### Vedvati Shrotra | Analyst, Evercore ISI:

Understood. Yeah, that's all the questions I had. Thank you very much.

### Unidentified Speaker:

Thank you. Thanks, James.

### Operator | Conference Call 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 very much. And before we sign off, I'd like to note that we'll be attending the following investor conferences during Q2, and those conferences are the TD Cowen Conference on May 27th in New York City, Craig Hallam Conference on May 28th in Minneapolis, the Stiefel Conference on June 2nd in Boston, and the Evercore Conference on June 3rd in San Francisco. And if any of you plan on attending these conferences, please reach out to your conference contacts or let us know, and we'll arrange for a one-on-one meeting.

### Unidentified Speaker:

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

### Operator | Conference Call Operator:

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