NASDAQ:PDFS Q3 2026 Earnings Call Transcript

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Operator | Conference Call Operator:

Good day, everyone, and welcome to the PDF Solutions, Inc. conference call to discuss its financial results for the third quarter conference call ending Wednesday, September 30th, 2026. At this time, all participants are in listen-only mode. After the speaker's presentation, there will be a question and answer session. To ask a question during the session, you will need to press star 11 on your telephone. As a reminder, this conference is being recorded. If you have not yet received a copy of the corresponding press release, it has been posted to PDF's website at www.pdf.com. Some of the statements that will be made in the course of this conference are forward looking, including statements regarding PDF's future financial results and performance, growth rates, and demand for its solutions. PDF's actual results could differ materially. You should refer to the section entitled Risk Factors on page 16 through 30 of PDF's annual report on Form 10-K for the fiscal year ended December 31, 2025, and similar disclosures in subsequent SEC filings. The forward-looking statements and risks stated in this conference call are based on information available to PDF today. PDF assumes no obligation to update them. Now I'd like to introduce John Kibarian, PDF's President and Chief Executive Officer, and Adnan Raza, PDF's Chief Financial Officer. Mr. Kibarian, please go ahead.

John Kibarian | President and Chief Executive Officer:

Thank you for joining us on today's call. If you have not already seen our earnings press release and management report for the third quarter, please go to the investor section of our website where each is then posted. For today's call, I will provide a summary of the past quarter, a brief recap of our recent customer event, PDF Solutions Connect, provide a perspective on the environment, and conclude with our outlook for the remainder of the year. The third quarter is another busy quarter in terms of customer activity and product development. With respect to customers, we continue to see very strong business with equipment vendors. For our Symmetrix tool connectivity and control software, sold primarily to equipment vendors, we achieved another record quarter as our customers increased tool shipments and as a result, runtime licenses of our software increased. Our SecureWise product, which enables communications, remote access, and connectivity between the fabs and equipment vendors also achieved strong revenue in the quarter as new contracts began. In addition, we had strong bookings of our characterization vehicle infrastructure and direct scan systems. In the third quarter, we signed a contract to deliver an E-probe machine as well as a characterization vehicle test chip optimized for E-beam based measurements to an existing customer. By optimizing the CV test chip for the E-Probe's unique E-Beam capabilities, we can give our customer faster cycles of learning and greater detectability of yield challenges. Besides this large eight-figure contract, there were other seven-figure contracts for characterization vehicle infrastructure and also for Accentio. For the E-Probe, we are beginning an evaluation on flash technology. as well as accelerating development of applications and recipes for DRAM and logic, both in R&D and manufacturing. At our PDFConnect conference, we were grateful for our customer Samsung's presentation about their application of the E-Probe on advanced node for bring-up and control. The evals and applications development coupled with the Eprobe commitment as part of the contract with an existing customer this past quarter gives us confidence in our ability to expand the Eprobe business. In October, we hosted our PDF Solutions Connect conference in San Francisco. In addition to the Samsung presentation that I just mentioned, we had presentations from a number of customers about their use of PDF products. We are honored that our customers are applying our solution in areas as diverse as silicon photonics, robotization of tests, enterprise analytics, and process control and advanced packaging. It speaks to the benefit of our platform-based approach to semiconductor manufacturing analytics and AI. At our event, there were hundreds of attendees that came from over 150 customers, representing equipment companies, foundries, IDMs, fabless, System Companies, and

Hyperscalers. They were able to see the unveiling of Accenture Aurora, our AI native new architecture that we announced in September. Starting a few years ago, we completely reimagined analytics for the era of AI, leveraging our 30 plus years of experience in semiconductors. To us, this means being able to operate on the types of wide data sets that are common when producing AI chips. It means being able to combine data from multiple sources, and it means being able to put algorithms online across different manufacturing and test setups irrespective of where the test of production takes place geographically. AI and analytics need to be able to give you repeatable, predictable results without hallucinations so you can take advantage of the insights AI is bringing to your manufacturing and test in real time. The reception Accenture Aurora received at the event was very strong and we engaged now with our lead customers. PDF Solutions Connect energized our company and hopefully our customers. We are excited to bring our AI-first analytics capability out to our community. It's a big milestone in the history of the company. As we look at Q4, we see an industry that's continuing to expand across all aspects from equipment companies through chip design The expansion has spread from primarily on the leading edge to more broadly across many technologies. For us, this means we started the fourth quarter continuing work on a significant number of customer opportunities, some of which are very large. This activity gives us confidence in achieving our goals for the year while setting up the company for a successful 2027. With that context, and our products in the first nine months of the year, we reaffirm our 20% annual growth target for 2026. I want to thank all the PDF customers, employees, and contractors for their efforts during the quarter. Now I'll turn the call over to Adnan, who will review the finances and provide his perspective on our results. Adnan.

Adnan Raza | Chief Financial Officer:

Thank you, John. Good afternoon, everyone. Good to speak with you all again today. We are pleased to review the financial results of the third quarter and to bring you up to date on the progress of the business. We posted our earnings release and management report on the investor relations section of our website. Our Form 10Q has also been filed with the SEC today. Please note that all of the financial results we discuss at today's call will be on a non-GAAP basis, and a reconciliation to GAAP financials is provided in the materials on our website. As you saw from our press release, With our Q3 results, we achieved a record for quarterly revenue. During the third quarter, we booked an eight-figure deal for an additional E-Pro and characterization analysis for an existing leading-edge customer and multiple additional seven-figure deals across our product platform. We continue to make good progress on larger deals, including renewals, and expect the timing of these to play a role in the future quarterly ending backlog numbers. We ended the third quarter with backlog of $247 million, and as we communicated on the prior earnings call, we continue to expect to close the year with backlog above the $271 million backlog we saw for second quarter. Our total revenues for Q3 came in at a record $68.3 million, or 11% higher than last quarter and 20% higher on a year-over-year basis, driven by strong contribution from platform revenue. Our platform revenue came in at $58.3 million, up 19% versus prior quarter, and up 22% on a year-over-year basis, driven by leading-edge engagements. Our volume-based revenue was also up 10% on a year-over-year basis due to a significant increase in Symmetrix runtime licenses, offset by revenue related to a large SecureWise contract shifting from volume-based to platform-based revenue as the new contract locked in data volumes as a subscription. For total annual revenue for calendar year 2026, like John said, we reaffirmed the 20% growth target we set at our analyst day last fall. As we approach the sixth anniversary of our Symmetrix acquisition announcement this month, it is worthwhile mentioning that we are very pleased with the way we have grown the Symmetrix products within PDF. Additionally, The acquisition of SecureWise in Q1 of 2025 has also progressed well, evidenced in large part by revenue we started to recognize this quarter from the large booking we discussed last quarter. Together, the Symmetrix and SecureWise product line formed the basis of our meaningful equipment business, which we did not have a few years ago. When we embarked on expanding into the equipment industry, Our thesis was driven by our customers' desires to link their equipment platforms with their fabs and fabless customers' data. Now, with our equipment business forming an important third leg of our platform, in addition to data collection and data analysis, we have a diversified customer base spanning all aspects of chip manufacturing where customers benefit. We will continue to look for ways to enhance the value of our

platform to bring AI-based collaboration across the entire semiconductor value chain. Continuing down the P&L, we reported gross margin of 77% for the third quarter, a meaningful margin expansion versus 73% of last quarter and ahead over the same quarter of last year as well. This increase was driven by a reduction in the EPUB-related cost compared to last quarter and controlled expansion of personnel costs during the quarter to support the growth and revenue we demonstrated during the quarter. We remain committed to our long-term gross margin target model of 77%, which was set less than a year ago, and are pleased with the progress we have made towards that. We expanded our operating margin during the quarter to 28%, a meaningful improvement versus 22% of last quarter and 23% for same quarter of last year. We managed to deliver this operating margin performance while supporting the spending increases needed in both R&D and SG&A to deliver on our growing revenues. Below the operating income line, we saw benefits from interest income on the cash we raised during our May equity offering. For EPS, we delivered $0.40 per share for the quarter, up 60% versus $0.25 of same quarter a year ago, and up 48% versus 27 cents of prior quarter. For the first three quarters of 2026, our EPS of 99 cents is 55% ahead of the EPS of 64 cents for the same period of last year. We generated positive operating cash flow of 13.8 million this quarter and 31.8 million for the first nine months of this year. During the quarter, we spent 15.1 million on CapEx, primarily to support our tool equipment bills and ended the quarter with cash and cash equivalents of approximately $107 million. Given the strong business activity and the customer opportunities in front of us, we reaffirm our prior guidance of 20% annual revenue growth rate for this year and will continue to make the progress towards a long-term target model of 77% gross margin and 27% operating margins. With that, I'll turn the call over to the operator to commence the question and answer session. Operator?

Operator | Conference Call Operator:

Thank you, Mr. Raza. Ladies and gentlemen, if you have a question at this time, please press star 1-1 on your telephone. If you are using a speakerphone, please lift the handset before asking a question. Please wait one moment for our first question. Our first question comes from the line of Stacy Raskin of Cernstein Research. Your line is now open.

Stacy Rasgon | Analyst, Bernstein Research:

Hi, guys. Thanks for taking my questions. First, I was wondering if you could give us some color on how big the equipment business is, the SecureWise Plus Symmetrix is now as a percentage of revenue. And, you know, if I'm looking at WP forecasts in the next year, they're up, you know, probably 35% year-over-year in 27. Should we be thinking about that equipment business growing, you know, at similar rates or in line with that?

John Kibarian | President and Chief Executive Officer:

Yeah, sure. Stacey, thanks for joining. The equipment business is now about 20% of the total business. It's actually been going within the high teens. When you look at the runtime licenses, so the number of equipment that ship, that tends to track with WFE. So if WFE is up in the 30s or 40s, then our runtime licenses year over year tend to be in that range. that shows up in our volume baseline because we just don't know when people are going to ship. For the SecureWise business, it's kind of more dependent on the total install base. So once a customer installs a tool, if it's under a support contract, they will connect it to SecureWise. And so it tends to track with the number tools under some level of AI-based services. So that tends to be a number that does not move as fast, but also doesn't go down as fast as the runtime licenses do. Collectively, as I said, it's about 20% of our business. And it is, you know, strictly for the Symmetrix piece, it's been growing faster than the rest of the company this year because of the runtime license piece.

Stacy Rasgon | Analyst, Bernstein Research:

Thank you. That's helpful. If I could ask one follow-up. You talked about being committed to your long-term operating model, but you're kind of there. Right, you did like within spitting distance of 75 gross and you hit 28 operating margin in Q3. So, I mean, how should we think about that into Q4 and then what might be possible into 27, especially if you're growing at a similar rate that you are, that you're growing now?

Adnan Raza | Chief Financial Officer:

Yeah, good question. First of all, we're very pleased with the results that we delivered this quarter. That's point one. Point two, you'll also see that it's a marked improvement from Q2 where we had some improvements, right? So over the few quarters, over the next few quarters, and we haven't yet talked about next year, depending on the product mix itself, the numbers could move. But specifically to your point about how we think about the next quarter itself, somewhere between the 75% and where target margin model is a good way to think about it. I think, like John said, we're pretty pleased with the contribution and the scale of the equipment business as well, which, candidly, when we talked about the acquisition of both of those was accretive to our margins. So stay tuned. Last time we set the target model, we achieved it in two years. This last December, when we set the model, we said we would achieve it in less than two. It's been three quarters. Give us a little bit of time to clock it in a few times.

Stacy Rasgon | Analyst, Bernstein Research:

Got it. Thank you. I'll go back in the queue.

Operator | Conference Call Operator:

Thank you. Our next question comes from the line of Charles Shi of Needham and Company. Your line is now open.

Charles Shi | Analyst, Needham & Company:

Hey, good afternoon, John, Adnan. Maybe a question on the backlog. You're expecting ending the year above the Q2 backlog level. That kind of implies almost maybe 100 million net bookings in Q4. I know you're probably waiting for some large contract. Given like in 4Q 2022, you had some pretty large bookings as well. And I believe there are contracts that are probably four year in duration. And so it's about time. But for us to really think about upside, downside risk, how confident you are regarding the timing of that large contract coming in this quarter? And shall we be thinking about maybe the timing can slip out to next quarter or you are very confident it will close by the end of the year? Thank you.

John Kibarian | President and Chief Executive Officer:

Sure. Thanks, Charles. Yeah, that is, you're correct. Our expectation is to grow backlog this year. You are right there. It does result in this being, our expectation is being a very strong quarter. There's multiple customers with large contracts. There are some that you're correct. Sometimes they split from one quarter to the next. Sometimes they get split, like what we closed in Q3 is part of something that we expect to also have follow-on components to. So sometimes they get split up just as they go through and look at what parts of the organization fund an overall deployment. But when we look at the collection of contracts, and there's a handful of them, we do anticipate Enough of them will close to grow our backlog. This year and the remainder will probably spill into Q1 next year.

Charles Shi | Analyst, Needham & Company:

Thanks. maybe just wanna a little bit more like housekeeping and how do you think, how should we think about the next year? The top line growth is still feeling good about 20%. Any upside to that number possible based on what you see in the bookings activities into the year end?

John Kibarian | President and Chief Executive Officer:

Thank you. Yeah. We haven't given out direct guidance for 2027. Charles, I would say in general, you know, As we look at the bookings in Q4 and Q1, that will give us some perspective on what we think the growth rate would be. Nothing we see about 2027 has us thinking, you know, it's going to be a net, you know, it's going to be less than where we expect our typical targets to be. You know, overall, I think it's a good environment that we're in right now. And it typically, you know, for us, if you just like the last few years, growth tends to be more back-end loaded than the front-end loaded just on the way that as we sell and deploy. But we'll see as we finish up this year, will that same profile be there? Would it be a little bit more aggressive or will it be more like a typical year?

Charles Shi | Analyst, Needham & Company:

Thank you, John. Appreciate the call-in.

Operator | Conference Call Operator:

Thank you. Our next question comes from the line of Blair Abernethy of Rosenblatt Securities. Your line is still open.

Blair Abernethy | Analyst, Rosenblatt Securities:

Thanks. Nice quarter, guys. Just if we could drill in on the E-Pro business right now. I noticed your CapEx year-to-date is 20% higher than your full year last year. Maybe some sense of how that's looking going forward and rounding out this year. And then sort of just for the fielded units, how are the usage trends going? What are any anecdotal feedback you're getting from some of the newer E-Probe customers?

John Kibarian | President and Chief Executive Officer:

Sure. So, yes, you're correct that the CapEx this year is up over last year. A lot of that is for anticipation of next year, really, more than this year, because some of that, you know, some of the spend that happened in the first half of this year does affect, let's say, like that machine that we sold last quarter. But a lot of that ends up, you know, basically spilling into the future, like 2027, in effect. In terms of, like I said in my prepared remarks, we have a broadening of the customer base. So now we've got at least additional customers starting to have multiple machines. This was a milestone for us in Q3. Prior than that, there was one customer that had multiple machines. The utilization on the machines is generally quite good. We often are clipping into what we tell them will be over 80% or 90% utilizations pretty consistently. The application space is broadening out with, I would say, more and more related to products and what you would see as problems that recur with the technology. In other words, you can think of them as control problems because they don't really ever go away. And that's a good sign, too, that the machine is able to keep up. And then as they improve their yields, typically what the FABs will say is we had, let's say, two hours, and this machine needs to see a defect in two hours. Historically, the problem with eBEAM has been as the yield improves, eventually you just can't see anything in a two-hour recipe. It doesn't scan enough of the features. but the E-PROV does

quite a good job at keeping up so far with the customers improving yields. And so that also is a good sign for the utilization of the tools as we look out. And then lastly, we're trying to make sure we're more broadly exposed. So, you know, we were primarily in leading-edge logic. In the first half of this year, we sold into trailing-edge logic, you know, at 28 nanometer. We have a started an on-site pilot on DRAM that we shipped in the second or third quarter. I think that machine shipped in and is installed, running at the customer now. And then as I mentioned, we're starting an eval at our facility on Flash. So we're trying to make sure we're covering more of the application space. That would give us an opportunity as we look at 27 and 2028 to make sure we participate in a lot of those aspects And then geographically, we're still not very exposed to China, and that's another area that we want to make sure that we pick up at some point.

Blair Abernethy | Analyst, Rosenblatt Securities:

Okay, that's great. Thanks for the color, John. And then just one quick one, if I can, on Accenture Aurora. Any early feedback from some of the customers trialing this now and And what is the revenue uplift opportunity here if somebody has been working with Accenture for a while and now wants to upgrade to Aurora?

John Kibarian | President and Chief Executive Officer:

Yeah, I think we're getting mostly demo-related feedback now. So I think the feedback is architecture is right. The kinds of challenges that it's designed to address, in other words, very, very wide data sets, which is common now with chiplet products, but you may have a million or five million or even 10 million tests, so you need to operate on very wide data sets, is resonating with customers, kind of the agentic first, in other words, where one of the more significant users is an agent, also resonates. And then the fact that the agent always generates a workflow. In other words, something, it's code, right? A workflow is just Python code, but Python code that an engineer can go back and look at and therefore commit it to production so you get the same result every time. Customers really like that piece of the architecture. Now the proof is in the pudding, and it's too early to say how the pudding is doing. In other words, as they use it on real-life cases, We believe that will happen. In terms of what the uplift is, we're still very early on. I will mention, as in a point of reference, when we did move customers from on-premise to cloud, it tended to increase their AR about 2 to 3x. And that was because we didn't just like lift and shift a relational database based system that was on premise to a relational based database system that was in the cloud. We leveraged the cloud to move our customers data to our deployment of Cassandra, which is a non-relational database that gave, you know, about 9x the performance on load or pull out data compared to a relational system. So in other words, it came with benefits. We expect the same kind of thing here that if the customer is paying a multiple, those kinds of two or three X multiples over what they paid in the past, it's because they're able to get a lot more performance out of the system that solves challenging problems. And we think we can demonstrate that for our customers. But our goal was to do something that really enabled something much more powerful for them And ultimately, we think as the customers use more and more agents, they will be processing more and more data. And so as you look at kind of what that means for us, that means more use of the system and hence our ability to show them more value and charge more for it. But we tend to use something very much like what we've done in the past. In other words, give them more value and then charge a portion of that value, but not even all of it.

Blair Abernethy | Analyst, Rosenblatt Securities:

Okay. Okay, great. Thanks, John.

Operator | Conference Call Operator:

Thank you.

Operator | Conference Call Operator:

As a reminder, to ask a question, you'll need to press star 11 on your telephone. Our next question comes from the line of Clark Wright of DA Davidson. Your line is now open.

Clark Wright | Analyst, D.A. Davidson:

Thank you. There was a notable geographic mix shift this quarter in favor of Japan. Can you provide some clarity in terms of the developments that's driving strength in that geography and if we should expect a similar mix shift going forward?

John Kibarian | President and Chief Executive Officer:

That's a good question. I think some of the larger contracts came out of Japan over this last quarter. Japan continues to be an important market for us. It always has been, actually. At one time, Japan was 75% of our revenue, so that's quite a long time ago. If you look at what's going on, it's going to bounce around. In general, what you're seeing is a lot of countries with activities to reshore, whether that's Japan, obviously the United States. To some extent, we started to see that in Europe. I was just in Europe last week. and then you see that in places like India where it's not maybe a reshore but a new shore and other countries like that. All of those are probably going to drive a general diversification, geographic diversification of a revenue line. For customers that are making advances in investments in leading edge nodes or new facilities, those tend to be customers that are spending on buildings and equipment Billions, sometimes tens of billions of dollars. So then when you look at what we charge, while for our business, it's a very high percentage of our business, for their business, what we're charging them is pretty small, right, in the global scheme of things. So it will bounce around our geographic distribution, I guess. Probably from their perspective, Not all that big a deal.

Clark Wright | Analyst, D.A. Davidson:

Got it. That's helpful. And then I just wanted to go back to the backlog. I mean, we haven't seen a decline in sequential decline since 2024. How much of that reflects unusually strong revenue conversion, contract timing or exclusions from backlog versus the change in just bookings momentum versus what we started the year trending at?

Adnan Raza | Chief Financial Officer:

Yeah. It's a little bit of both. But candidly, it's bookings. Like John said earlier in the call as well, it's the timing of some of the larger deals. And I alluded to the backlog getting affected by the impact of the timing. So to the comment on a little bit of both, look, last quarter, we signed a large deal that we talked about on the Secure White side. And that quarter, it was just bookings. So we started to recognize some of the revenue on that. So that's some strong contribution. Plus, as you rightly noted, the Japan contribution was strong compared to the prior quarter. Right, and then the bookings comment I already made, and then John already talked about how some of the larger bookings we still expect to come. I think the net takeaways, much like geographic revenue, sometimes it's hard to predict the precise timing of the large deals, but net-net, it's not just one kind of thing in the hopper. We have a few things, and that's why we were confident enough to share that by the end of the year, we expect to be above where we were at the Q2 ending backlog number of 271. Got it.

Thank you.

Operator | Conference Call Operator:

Thank you. Our next question comes from the line of Stacy Rascone of Bernstein. Your line is now open.

Stacy Rasgon | Analyst, Bernstein Research:

Hi, guys. Thanks for taking some follow-ups from me. I guess with the new tool shipment in the quarter, I guess if you did one more in Q4, you're kind of on track to ship maybe six this year, which I think is what you said. But given the higher levels of CapEx year over year, do you think you'd be on track to ship more E-Probe tools next year than you are this year? or is this still a good run rate to think about?

John Kibarian | President and Chief Executive Officer:

Yeah, we're still working through what our ability to build, execute, and customer demand is for next year. So I don't know that we could probably give you much visibility into next year yet. Stacey, we are trying to execute that. A lot of it is on our side, like what are we able to do. And so as we get into next quarter, we'll give more visibility for next year.

Stacy Rasgon | Analyst, Bernstein Research:

Got it. And maybe just on free cash, I think last quarter you said that you thought you'd be free cash flow positive for the full year. And then CapEx, it sounds like CapEx should have been running about $15 million a quarter in the back half, and I know you did that in Q3. Do you still believe those are both true? Is this still a good CapEx level for Q4? And do you think for the full year you'll still be free cash flow positive?

Adnan Raza | Chief Financial Officer:

Yeah, like John said, some of the spend that we saw was increased levels as we were increasing for next year. And you're starting to pick up some threads. Obviously, it's not just the machines that we ship out that we spend on, but it's also some You know, eval situations that some may be at the customer site, in which case we will ship out, where some may be doing evals for the customers on here, right? So sometimes those evals will not show up in revenue, but they are spent for us. So all of this is the direction of expanding the customer base. So the capex, to answer your question of the dollar amount, yeah, we believe this is, you know, the high number for the year, and Q4 should be at or below this number.

Stacy Rasgon | Analyst, Bernstein Research:

And free cash flow for the year?

Adnan Raza | Chief Financial Officer:

Again, we feel pretty good about growing the cash balance. I think for the second quarter call, we made the comment that we would expect to grow the cash from that point onwards towards the rest of the year at a higher level where we ended the cash at the Q2 level as well. So free cash flow positive is the right direction to think about for the whole year as well.

Stacy Rasgon | Analyst, Bernstein Research:

Okay. Got it. Thank you, guys.

Operator | Conference Call Operator:

Thank you. Our next question will come from Gus Richard of Northland. Your line is now open.

Gus Richard / Travis Poulin | Analyst, Northland Capital Markets / Analyst speaking for Joe Qua

Yes, thanks for taking the question. Can you give us any color on, you know, you're going to ship probably one more E-Probe in the fourth quarter. Is that for advanced logic, trailing edge, new customer, old customer, memory, any color on where you think that tool might end up?

John Kibarian | President and Chief Executive Officer:

Yeah, you know, We are trying to reserve some, it comes down to whether we can get this thing built or not. So we're racing towards the end to get this thing done. There's a couple places where it could go. To be candid with you, as mindful of 2027, in my prepared remark, I would like to get one going in China if I could, if not this late this year, early next year, just because I think we're missing out on a piece of that business that we should be getting at when we look at who could use these things and how helpful I think it could be. And now that we've seen kind of positive results on Trailing Edge and the spend going on there, I think we had in the past assumed it wasn't that important a market for us. And then after what we did in Q2, I was like, hmm, we probably made a mistake on that. And so we are trying to scramble to try to get that done. It'll be tight, but we can squeeze that in at the end of this year or early next year.

Gus Richard / Travis Poulin | Analyst, Northland Capital Markets / Analyst speaking for Joe Qua

Got it. Thanks. And then, you know, can you share the build plan for Eprobes for next year? You know, you expect to build five, ten, you know, just looking at CapEx, I would definitely think it's over five.

John Kibarian | President and Chief Executive Officer:

Yes, it is. We expect, we're trying to be able to build more than we built this year. And a lot of it is on our end. Some of it's on our supplier's end, but just our ability to execute. I don't think I have a final number. We think it will be more than what we're able to build this year.

Gus Richard / Travis Poulin | Analyst, Northland Capital Markets / Analyst speaking for Joe Qua

All right. If I can sneak the last one in. How many columns have you got on order?

John Kibarian | President and Chief Executive Officer:

Those are some of our long lead items. There's an increased number of columns on order compared to what we had last year.

Operator | Conference Call Operator:

All right. Thanks so much. Thank you. As a reminder, to ask a question, you'll need to press star 1-1 on your telephone. Our next question comes from Blair Abernathy of Rosenblatt. Your line is now open.

Blair Abernethy | Analyst, Rosenblatt Securities:

Thanks. Just a couple more quick ones here, John. Secure-wise, you know, it's done very well since you guys took over that business. and you've had the opportunity to do some pretty large expansions with that technology. What's it looking like in the market now in terms of new customers that could be brought into the SecureWise?

John Kibarian | President and Chief Executive Officer:

Yeah. So I think actually as we've been looking at this and it kind of comes back to the question Stacey asked. So we see an awful lot of customers that have sold equipment this year. was covered at our user event in 2025. Intel standardized on SecureWise for its equipment, not just in the front end, but for test and assembly. So we've been going around to those customers and showing them how they can get access to their tools remotely, just like the leaders do. And the leaders transmit the most data and have the largest kind of AI-based services based on top of that data that they transmit across SecureWise. Now with about, you know, nine months of that ongoing, we are starting to pick up more customers there. Also, other fabs are seeing the same benefits that, seeing that, you know, Intel got substantial benefits from standardizing. So we do expect, you know, and it's kind of natural that if the Symmetrix runtime business had a really strong 2026, you'd expect the SecureWise business to then have a really strong 2027. because it lives off the install base and the install base just went up a lot or at least shipped out of the equipment vendors to the fabs. So as we look at next year, we expect to see growth in three areas. Number one is the existing large customers as well as some large customers that are, I think, meaningfully stepping up their deployments. More fabs, as fabs see the benefit of standardizing on it, even for their own internal work, particularly as they become more geographically, they run more geographically diversified operations. And then lastly, as we start looking at the back end, test and assembly, more opportunity there. Of course, Intel and its suppliers, but as well as others. And so You know, but we're looking, you know, as we do our first analysis, we think it will be a very good year for SecureWatch next year.

Blair Abernethy | Analyst, Rosenblatt Securities:

Okay, that's great. Thanks, John.

Operator | Conference Call Operator:

Thank you.

Operator | Conference Call Operator:

Our next question comes from the line of Joe Quattrocchi of Wells Fargo. Your line is now open.

Gus Richard / Travis Poulin | Analyst, Northland Capital Markets / Analyst speaking for Joe Qua

Hi, guys. This is Travis Poulin on for Joe Quattrocchi. Thanks for taking my question. I just wanted to go back to backlog. Your backlog peaked at 292 million in 3Q25. I'd just be curious, how should we think about you getting back to that level, either in 4Q26 or into the first half of 2027? Just any color on that would be great. Thanks.

John Kibarian | President and Chief Executive Officer:

Yeah, sure, Travis. Of course, a lot of the backlog comes from the largest contracts. Those tend to be very large eight figures and can even be nine-figure contracts. So, you know, and you're right to ask about Q4 and Q1. We expect, you know, in our own model, some of them will close in Q4, some of those will close in Q1. Collectively, we think that will have a meaningful add to backlog that would get us above that 2025 number you quoted.

Operator | Conference Call Operator:

Thank you. That's it for me.

Operator | Conference Call Operator:

Thank you.

Operator | Conference Call Operator:

As a reminder, to ask a question, you'll need to press star 1-1 on your telephone. Our next question comes from the line of Stacey Rasko.

Operator | Conference Call Operator:

Bernstein, your line is now open.

Stacy Rasgon | Analyst, Bernstein Research:

Hi, guys. Thanks for taking it. Maybe just one last one for me. I know you said 20% growth for the year still. You did something like 22% in the first half. You were like 19 and a half, almost 20% in Q3. If I just took it very, very strictly, 20% would give me something like, I don't know, 73 million in Q4, and it would be up something like 17% year over year, so a little bit of a decel. Is that what you have in mind, or am I just being sort of too pedantic about this?

Adnan Raza | Chief Financial Officer:

No, I think you're in the right direction. I mean, there's a reason why we were very careful to talk about the 20% and kind of setting that as a reaffirmed guidance. I mean, candidly, you know, welcome to PDF story. But if you go back and look at some of our prior years, we've been accused of being cute with language about 20 to 22 or approaching 20 and whatnot. But if you even use that grading lessons on us, you will find that we were pretty precise and consistent in our prepared remarks as well as the earnings to talk ER quotes. quote as well that we put in there to talk about how we're thinking about 20%. So you're thinking about it the

right way. The other comment to take in mind also is second half of the year, like John also said, tends to be a strong one for us as was last year. So we're set up against strong numbers even going into this year.

Stacy Rasgon | Analyst, Bernstein Research:

Got it. That's helpful. Thank you, guys.

Operator | Conference Call Operator:

Thank you.

Operator | Conference Call Operator:

As a reminder, to ask a question, you'll need to press star 11 on your telephone. At this time there are no more questions.

Operator | Conference Call Operator:

Ladies and gentlemen, this concludes the program. Thank you for joining us on today's call.