Ceva, Inc.
Second Quarter 2026 Financial Results Conference Call
Prepared Remarks of Amir Panush, Chief Executive Officer and
Yaniv Arieli, Chief Financial Officer
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8:30 A.M. Eastern

Richard

Good morning everyone and welcome to Ceva’s second quarter 2026 earnings conference call. Joining me today are Amir Panush, Chief Executive Officer, and Yaniv Arieli, Chief Financial Officer.

Forward Looking Statements and Non-GAAP Financial Measures

Before handing the call over to Amir, I'd like to remind everyone that today's discussion contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such statements.

We will also discuss certain non-GAAP financial measures, which we believe provide investors with additional insight into our core operating performance. Reconciliations between our GAAP and non-GAAP results are included in the earnings release issued this morning and available on the Investor Relations section of our website at investors.ceva-ip.com.

With that, I'll turn the call over to Amir.

Amir

Thank you, Richard, and good morning everyone.

We delivered another strong quarter, with revenue increasing 13% year over year to $29 million, fueled by licensing and related revenue growing 21% to its highest level in three years. The quarter also benefited from a sequential recovery in royalty revenue, driven by continued momentum across wireless connectivity, ramping automotive AI programs and market share gains in smartphones.

During the quarter, we signed 10 licensing agreements, including two with first-time customers and two directly with OEMs. More important than the number of agreements is the quality of those engagements. Increasingly, customers are adopting broader platforms and deeper collaborations that strengthen both our near-term licensing business and our long-term royalty opportunity.

I'd like to focus today on two themes that we believe highlight an important shift in the semiconductor industry and explain why Ceva and our technologies are increasingly well positioned for long-term growth.

The first is the continued migration of intelligence from the cloud to the smart edge. This is a trend we've discussed for several years, and one that is increasingly driving demand for our higher-performance connectivity, sensing and AI technologies. During the quarter, we announced what we believe is one of the most strategically significant AI licensing agreements in Ceva's history. A leading global AI and computing platform company selected our NeuPro-M NPU IP for its next-generation custom AI silicon.

This agreement is significant for several reasons.

First, it represents a new category of AI customer for Ceva. Historically, our AI licensing activity has primarily been with semiconductor companies and device OEMs. This customer develops both the hardware platform and the operating system, allowing us to collaborate at a much deeper level by optimizing not only the NPU hardware, but also the AI software stack for its models, applications and workloads.

The expertise we gain through this engagement extends well beyond a single customer program. Co-optimizing AI hardware and software at the platform level will strengthen both our hardware and software roadmaps and further enhance our AI offering for future customers.

More broadly, we believe this agreement reflects an important industry trend where companies with some of the world's largest engineering organizations are increasingly choosing to leverage proven AI IP rather than developing every component internally. For these companies, the question is no longer whether they have the engineering capability to build an NPU, but whether doing so represents the best use of their engineering resources. By licensing production-proven IP, they can focus their investment on the hardware, software and AI experiences that differentiate their platforms while reducing development risk and accelerating time to market.

The second trend we are seeing is customers increasingly adopting broader platform solutions rather than individual IP blocks.

Two agreements from the quarter illustrate this well.

A high-volume U.S. semiconductor company chose to adopt a complete chip built on our Wi-Fi 6 and Bluetooth Low Energy IP — originally developed in partnership with another Ceva customer — rather than licensing the underlying IP blocks individually. The decision reflects the same preference for production-proven, complete solutions over developing internally or licensing component IP.

Separately, another U.S. customer expanded a relationship that began with a single baseband component by adopting our complete baseband processing subsystem. As semiconductor development becomes increasingly complex, customers are recognizing that leveraging proven subsystem IP can significantly reduce engineering effort and execution risk while accelerating time-to-market, enabling them to concentrate their internal resources on the technologies that most differentiate their products.

These are different customers and different technologies, but they demonstrate the same underlying trend. Companies are increasingly choosing production-proven hardware, software and system expertise delivered as complete platforms rather than assembling individual IP blocks themselves.

For Ceva, this expands both the scope and value of our engagements. Broader platform adoption increases our content per design, deepens our integration into customer products and creates larger, longer-term customer relationships and increases the royalty opportunity associated with each customer platform as those products enter production.

These successful outcomes also validate the strategy we have been executing over the past several years. We've invested in expanding our diverse portfolio beyond individual IP blocks to more complex hardware and software platforms across connectivity, sensing and AI. As customers look to accelerate development while reducing execution risk, we believe this positions Ceva to capture a greater share of silicon content in future designs.

Beyond these strategic engagements, activity remained broad-based across our business.

In addition to the AI and platform wins I just discussed, we signed multiple follow-on agreements with existing customers alongside our new customer engagements, demonstrating our ability to both expand long-term relationships and consistently win new business.

Across connectivity, we secured customer engagements spanning the United States, Europe, China and the broader Asia-Pacific region, reinforcing the global demand for our technologies.

We also expanded our sensing portfolio with the launch of our Microsoft-certified RealSpace Elevate embedded application software, extending our spatial audio technology into the PC gaming market for the first time.

Taken together, these achievements reinforce the strength of our Connect, Sense and Infer offering to enable Physical AI use cases.

While AI is creating exciting new opportunities for Ceva, connectivity remains the foundation of Physical AI and continues to be the entry point for many of our customer relationships. Increasingly, those relationships expand over time as customers adopt additional technologies across our portfolio.

Turning to royalties

We're beginning to see the benefits of the broader customer engagements we've been building over the past several years translate into an increasingly diversified royalty business.

Royalty revenues increased both sequentially and year over year, supported by continued strength across our wireless connectivity portfolio, the growing contribution from automotive AI deployments and share gains in smartphones.

Wireless connectivity remained particularly strong, with healthy year-over-year growth in both Wi-Fi and Bluetooth shipments, while Cellular IoT shipments reached another quarterly record. In automotive, customer programs continued to ramp, reflecting increasing AI content in next-generation vehicles.

Overall, the quarter demonstrates the continued evolution of Ceva's business and the continued market leadership of our IP. We're expanding the breadth of our licensing engagements, increasing the value of every customer relationship through broader platform adoption, and building a more diversified royalty engine. Together, these trends reinforce our confidence in both our near-term outlook and our long-term growth opportunity.

With that, I'll turn the call over to Yaniv to review our financial results.

Yaniv

Thank you, Amir. Good morning everyone. I'll now review our financial results for the second quarter.

Revenues for the second quarter increased 13% year over year and 7% sequentially to $29.0 million, reflecting another exceptionally strong licensing quarter and continued improvement in our royalty business. Our trailing-twelve-month licensing and related revenues increased 13% to $69.6 million.

The revenue breakdown is as follows:

- Licensing and related revenues increased 21% year over year to $18.2 million, representing 63% of total revenues and our strongest licensing quarter in three years. Importantly, the strength of the quarter reflects the broader platform engagements Amir described earlier, which not only increase licensing and related revenues today but also expand the future royalty opportunity associated with those customer programs.
- Royalty revenues were $10.8 million, representing 37% of total revenues, compared with $10.7 million in the prior-year period and up 17% sequentially, reflecting continued strength across wireless connectivity and automotive AI together with share gains in smartphones.

- Gross margin was 87% on a GAAP basis and 88% on a non-GAAP basis, in line with our guidance.
- GAAP operating expenses were $27.5 million, below the low end of our guidance range.
- Non-GAAP operating expenses, excluding equity-based compensation expenses, amortization of acquired intangibles and acquisition-related costs, were $22.3 million, at the low end of our guidance.

- GAAP operating loss improved to $2.1 million, compared with $4.5 million in the second quarter of 2025.
- Non-GAAP operating income increased to $3.1 million, compared with $0.8 million in the prior-year period, while non-GAAP operating margin expanded to 11%, up from 3% a year ago. Both measures also improved significantly on a sequential basis, demonstrating continued operating leverage.
- Net financial income was $1.0 million, compared with $2.1 million in the second quarter of 2025 and below our guidance of $1.7 million, primarily due to foreign exchange effects related to our Israeli shekel-denominated lease obligations.
- Income tax expense was approximately $1.8 million, slightly above our guidance, reflecting the geographic mix of licensing and royalty revenues recognized during the quarter.
- GAAP net loss was $2.9 million, or $0.10 per diluted share, compared with a GAAP net loss of $3.7 million, or $0.15 per diluted share, in the second quarter of 2025.
- Non-GAAP net income increased 28% year over year to $2.3 million, while non-GAAP diluted earnings per share increased to $0.08, compared with $0.07 in the prior-year period. On a sequential basis, both non-GAAP net income and diluted earnings per share doubled.

<u>With respect to other related data:</u>

During the quarter, customers shipped 567 million Ceva-powered devices, an increase of 16% compared with the second quarter of 2025.

Of those shipments:

- 61 million units, or 11% of the total, were mobile handset modem shipments, compared with 55 million units in the prior-year period, reflecting improving smartphone royalties driven by stronger market share in entry-level smartphones together with continued expansion in the premium tier.
- Consumer IoT shipments increased to 487 million units, compared with 409 million units a year ago.
- Industrial IoT shipments were 19 million units, compared with 24 million units in the prior-year period. Despite the lower unit volume, Industrial IoT royalty revenues increased 7% year over year, reflecting a richer mix of higher-value products, including automotive AI and wireless infrastructure.

Looking at our connectivity technologies, these shipment metrics continue to demonstrate the breadth and diversification of our royalty base across multiple end markets:

- Bluetooth shipments increased 16% year over year to 295 million units.
- Cellular IoT shipments reached another quarterly record of 68 million units, up 3% year over year.
- Wi-Fi shipments increased 28% year over year to 80 million units.

<u>As for the balance sheet items:</u>

- We ended the quarter with approximately $221 million in cash, cash equivalents, marketable securities and bank deposits, providing significant financial flexibility to support continued investment in our technology roadmap while maintaining a disciplined approach to capital allocation, including selective strategic M&A opportunities.
- Days sales outstanding were 70 days.
- During the quarter, we generated $5.8 million of cash from operating activities. Depreciation and amortization expense was $0.8 million, while capital expenditures totaled $0.6 million.
- At quarter end, we employed 406 people, including 327 engineers, reflecting our continued investment in innovation while maintaining disciplined expense management.

Guidance

Turning to our outlook.

We delivered a strong first half of 2026, supported by strong licensing execution, improving royalty trends and meaningful expansion in non-GAAP profitability.

Just as importantly, the quality of the customer engagements we secured during the first half provides a strong foundation for future growth across both licensing and royalties.

Reflecting our first-half performance and current visibility, we are raising our full-year revenue outlook.

We now expect 2026 revenues to increase between 13% and 15% over 2025, compared with our previous expectation of 12% growth that we shared at the end of Q1.

We continue to expect the second half to be stronger than the first, consistent with our normal seasonal profile, while recognizing that memory pricing dynamics and broader supply conditions remain important industry variables.

On expenses, we are maintaining our previous guidance.

Total non-GAAP cost of revenues and operating expenses are still expected to increase by approximately 8% over 2025, as we continue to invest in our roadmap while carefully managing costs and mitigating foreign exchange headwinds.

As a result of stronger revenue growth together with disciplined expense management, we now expect non-GAAP operating income to increase by approximately 70% year over year, while non-GAAP net income is expected to increase by approximately 50%, both above our previous expectations.

Third Quarter Guidance:

For the third quarter of 2026:

- Revenues are expected to be in the range of $30.5 million to $34.5 million.
- Gross margin is expected to be approximately 87% on a GAAP basis and 88% on a non-GAAP basis, excluding approximately $0.2 million of equity-based compensation expense and $0.1 million of amortization of acquired intangibles.

- GAAP operating expenses are expected to be between $28.2 million and $29.2 million, including approximately $5.4 million of equity-based compensation expense, $0.1 million of amortization of acquired intangibles and $0.1 million of acquisition-related costs.
- Non-GAAP operating expenses are expected to be similar to the second quarter level, between $22.5 million and $23.5 million.
- Net financial income is expected to be approximately $2.0 million.
- Income tax expense is expected to be approximately $1.9 million.
- Weighted average diluted share count is expected to be approximately 28.2 million shares on a GAAP basis and 30.0 million shares on a non-GAAP basis.

Q&A

Operator, we are now ready to take questions.

CEO Closing Remarks:

In closing, this quarter reinforces our confidence in the direction of the business and the strength of our IP.

We're seeing increasing demand for our technologies across AI, connectivity and sensing, stronger adoption of broader hardware and software platforms, and continued diversification of our royalty base. At the same time, our licensing momentum is translating into improving profitability and gives us confidence in raising our outlook for the year.

The opportunity ahead of us continues to expand as intelligence moves to the edge and more companies develop custom silicon to differentiate their products. With our Connect, Sense and Infer portfolio, we believe Ceva is uniquely positioned to enable that transition. Just as importantly, we're seeing customers engage with us at a broader platform level, increasing both the strategic value of our relationships and our long-term royalty opportunity.

The momentum we've built in the first half of the year gives us confidence heading into the second half.

Richard, back to you.

Wrap Up, Richard:

Thank you, Amir. As a reminder, the prepared remarks for this conference call are accessible through the investors section of our website. With regards to upcoming events, we will be participating in the following conferences:

- Rosenblatt 6th Annual Technology Summit, Part II, August 17 & 18, being held virtually
- 7th Annual Needham Virtual Semiconductor & SemiCap 1x1 Conference, August 19 & 20, being held virtually
- Stifel 2026 Tech Executive Summit, August 24 & 25 in Deer Valley, Utah
- Jefferies Semiconductor, IT Hardware & Communications Technology Conference, August 25 & 26 in Chicago, IL
- Benchmark-StoneX's TMT Conference, September 10th in New York, NY

Further information on these events and all events we will be participating in can be found on the investors section of our website.

Thank you and goodbye