

Silvaco Q1 Prepared Remarks

Operator

Good afternoon and welcome to Silvaco's First Quarter Fiscal Year 2026 Conference Call. All participants are in a listen only mode. After the speakers' presentation, there will be a question-and-answer session. Please note this event is being recorded. I would now like to turn the conference over to Chris Zegarelli, Silvaco's CFO. Please proceed.

Chris Zegarelli

Thank you. Joining me on the call today is Wally Rhines, Silvaco's CEO and Director. As a reminder, a press release highlighting the company's results, along with supplemental financial results are available on the company's IR site at investors.silvaco.com. An archived replay of the call will be available on this website for a limited time after the call.

Please note that during this call, management will be making remarks regarding future events and the future financial performance of the company. These remarks constitute forward looking statements for purposes of the Safe Harbor provisions of the Private Securities Litigation Reform Act. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward looking statements. It is important to also note that the company undertakes no obligation to update such statements, except as required by law. The company cautions you to consider risk factors that could cause actual results to differ materially from those in the forward looking statements contained in today's press release and on this conference call. The Risk Factors section in Silvaco's Annual Report on Form 10K for the year ended 12/31/2025 provides descriptions of these risks.

With that, I'd like to turn the call over to our CEO, Wally Rhines. Wally?

Wally Rhines, CEO Silvaco

Good afternoon. We appreciate you joining us today.

I am very pleased with our results in Q1. Momentum continues to build on multiple fronts. Financially, we delivered solid Q1 results and issued compelling guidance for Q2. In Q1, we saw bookings, revenue, and gross margin all above the midpoint of the guided range, which cut our non-GAAP operating loss in half sequentially. We delivered 26% year-over-year revenue growth. Our Q2 guidance confirms that we expect to reach an important milestone in the quarter – delivering non-GAAP operating profitability for the first time since Q4 2024. From a cash perspective, Q1 was the first sequential growth in unrestricted cash on the balance sheet since the IPO in May 2024. Our focus on financial discipline and predictability is delivering tangible results. Our team has rallied around this cause and is delivering solid results and important milestones.

I want to start with more good news on the AI front. For the second quarter in a row, we secured a new FTCO AI-driven manufacturing customer engagement in Q1. We are in discussions with several more companies and expect one of them to close in Q2. We also received an order from an existing FTCO customer for new functionality. Momentum continues to build for our AI-driven manufacturing strategy both in terms of new as well as existing customers. While market adoption of FTCO is still in the early

stages, these are signs that momentum is building and the market is responding very positively to what AI manufacturing development can unlock for our customers.

Before providing more details on results, I want to give you an update on the company's strategy pivot on which Chris and I have been focused since joining the company. Our guiding principles have centered on – Playing to Silvaco's strengths, leveraging AI, targeting markets where we can build a top franchise, customer obsession and financial discipline.

Leveraging Silvaco's strengths means extending our lead in target markets and deepening the moat around core technologies. That means delivering differentiated, AI-driven solutions for power, memory, foundry and display segments. In power, we have unique advantages particularly for wide bandgap process and product development. For memory, our partnership with Micron is an example of how we can deliver real value to the biggest and best companies in the industry. In technology, we will widen our lead in core areas, including multi-physics simulation, which was critical to the introduction of FTCO.

AI is a crucial element of our strategic shift. We have deployed AI internally and are already seeing phenomenal results. We have seen up to 6x acceleration in GUI development, up to 10x acceleration in new feature design and accelerated verification testing of IP. We have also built AI directly into more of our solutions. The best example is clearly AI driven manufacturing, or FTCO. Virtualized process development is turning into a must have feature across the semiconductor industry. Other examples include building better mathematical optimizers and simulators and rolling out AI assistants, which increase ease of use. Deploying AI in our EDA tools means customers get to Spice models quicker, design optimized layouts faster, and optimized power, performance and area in everything they design. Our "AI First" approach to roadmap acceleration means we are all in on developing optimized solutions that meet the needs of customers.

We also remain relentless about financial discipline. With our \$20 million cost reduction initiative largely behind us, we are now building discipline into the culture of the company. We think in terms of efficient process, streamlined structure and cost optimization.

Taken together, we believe that these strategic priorities position us well to grow the top line faster than peers, and to grow profitability faster than revenue. I look forward to reporting updates on these strategic initiatives in the quarters ahead.

Now, let's turn back to quarterly results.

We continue to see significant strength in TCAD. In Q1, TCAD bookings grew 13% sequentially, and 49% year-over-year, to \$10.5 million. Revenue grew 10% sequentially and 22% year-over-year to \$9.6 million. Growth in the quarter was driven by significant milestones for FTCO, including securing a new customer and broadening the product line to include additional functionality.

Looking forward, we see solid momentum for FTCO. We see strong potential from engagements with governments, power applications and semiconductor equipment companies. On the government side, we inherited engagements in photonics from our Tech-X acquisition. We have real opportunities to leverage the broader Silvaco portfolio for meaningful future engagements. With equipment companies and power applications, we see growing interest in FTCO and digital twin modeling that we expect to generate compelling growth opportunities going forward. We see these trends – FTCO, government

engagements and power and equipment companies – as drivers that will drive growth for quarters and years to come.

After a strong Q4, we saw our semiconductor IP product line pause in Q1. Semiconductor IP delivered bookings of \$3 million in the quarter, down 41% sequentially but up more than 200% year-over-year. IP revenue was \$4 million, down 21% sequentially but up 270% year-over-year. Sequential softness in IP was driven by timing of new customer wins. We had a few key designs push out by roughly one quarter. Year-over-year trends in IP reinforce the fact that this business has reached a new baseline with the integration of Mixel's industry-leading MIPI PHY IP. Our IP sales pipeline continues to grow, particularly for our automotive soft IP and Mixel Pro, our production ready set of products that were introduced in the first quarter. Our IP pipeline has roughly doubled over the past year. These leading indicators support our view that we expect to deliver steady growth in IP through the rest of the year. We expect IP to grow sequentially into Q2 and to be our strongest grower this year.

Turning to EDA, we saw a decline in Q1 bookings and revenue. Q1 bookings came in at \$3.8 million with revenue of \$4.1 million. Here, we continue to focus on shifting priority to a handful of core products that we believe can deliver significant growth. We talked last time about the potential for Jivaro as one of those core offerings. Another focus area is Utmost, which is a database-driven platform for device characterization and SPICE model extraction. We just released an AI driven version of Utmost, which now delivers up to 10x performance improvements, a machine learning optimizer, and other runtime enhancements. This is another example of how the team is building next generation AI driven solutions. Jivaro and Utmost are just two of the core EDA products that are positioned for growth as we focus development, sales and FAE resources on these drivers. We expect stability in this area of the business in the short-term and then a return to growth as these new priorities deliver results.

While I am proud of the progress we have made in a short amount of time, I also recognize the task before us. We have made great strides in stabilizing the business, enhancing liquidity, streamlining operations and focusing strategically on the core products that we expect will deliver accelerated growth and profitability. We all look forward to driving our semiconductor IP business to new highs, getting EDA back to growth and feeding the momentum we see in FTCO. We all continue to believe that the best is yet to come – I look forward to seeing how far we go in the coming quarters.

I'd now like to turn the call over to Chris who will discuss our financial results and outlook in more detail.

Chris.

Chris Zegarelli, CFO Silvano

Thanks, Wally. Good afternoon, everyone.

In Q1, we delivered \$17.2 million in bookings and \$17.8 million in revenue, both above consensus and above the midpoint of our guided range. Bookings and Revenue both grew 26% year-over-year. Strength in the quarter came from TCAD. We won another new FTCO customer in the quarter and partnered with an existing FTCO customer to add new functionality to their deployment. Looking forward, we see strong interest in FTCO and expect to close one more new FTCO customer in Q2.

From a geographic perspective, we saw the most growth in Q1 from the Americas region, which grew 24% sequentially and accounted for 44% of total revenue in the quarter.

Looking down the P&L, GAAP gross margin in Q1 was 86.4% and non-GAAP gross margin was 87.9%. GAAP and non-GAAP gross margin sequentially increased by 305 and 235 basis points respectively and came in ahead of guidance and consensus. GAAP and non-GAAP gross margin also increased 779 basis points and 788 basis points year-over-year, respectively. Both GAAP and Non-GAAP gross margins have benefited from our restructuring activities. We believe gross margins will remain in the range of mid-to-upper 80's going forward.

GAAP operating expenses were down 4.5% sequentially to \$21 million. Non-GAAP operating expenses were down 3.6% sequentially to \$16.1 million, above the midpoint of the guided range. From a total cost perspective – which combines operating expenses and cost of sales – GAAP total cost declined 6.5% sequentially and non-GAAP total cost declined 5.6% sequentially. Q1 results are the first time since the IPO when total non-GAAP spending declined in two consecutive quarters. Our guidance into Q2 indicates that spending is expected to continue declining sequentially.

GAAP operating loss improved quarter-over-quarter, to a \$5.7 million loss. Non-GAAP operating loss was \$471,000, well ahead of Q4 and ahead of expectations.

GAAP Net loss in the quarter was \$5.9 million and GAAP EPS was a 19 cent loss. Non-GAAP net loss in the quarter was \$574,000 and non-GAAP EPS a 2 cent loss.

Next, turning to the balance sheet and cash flow. Cash and cash equivalents at quarter-end was \$10.9 million. As of Q1, we no longer have restricted cash on the balance sheet. Recall, cash, cash equivalents and marketable securities at the end of 2025 was \$18.3 million, which included \$8.3 million of restricted cash. Therefore, unrestricted cash at year-end was \$10 million. Unrestricted cash grew almost 10% sequentially in Q1, the first time unrestricted cash grew sequentially since the IPO.

Net cash used in operating activities in Q1 was \$11 million, up from \$9.5 million in Q4. Please note that this \$11 million included the \$8.3 million final litigation settlement payment as well as \$1 million in severance payments. Net of litigation and severance, net cash used in operating cash flow would have been \$1.7 million in Q1. Adjusting for these same two factors – litigation and severance - Q4 net cash used in operations would have been \$7.4 million. The improvement from \$7.4 million to \$1.7 million speaks to the meaningful improvement in our underlying economics. The improvement also supports our view that we will see positive operating cash flow by Q3.

During the quarter, we also signed a non-binding term sheet with our banking partner for a \$10 million revolving line of credit. We expect to close on this facility during Q2.

Now turning to guidance. For Q2'2026, we expect:

- Bookings of \$19 million +/- 10%.
- Revenue of \$18 million +/- 10%.
- Non-GAAP gross margin around 88%.
- Non-GAAP operating expenses of \$15.5 million +/- 5%.

In closing, the team delivered on several milestones in the quarter. We secured a second AI FTCO customer in as many quarters, We delivered growth in unrestricted cash for the first time since the IPO,

we delivered 2 sequential quarters of spending reduction since the IPO, we see gross margins at multi-year highs and see non-GAAP operating profitability coming in Q2.

Wally and I want to thank the team for delivering these strong results. We look forward to continuing to deliver on our commitment to profitable growth.

With that, operator, we will now take questions.