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SiTime Corp. (SITM)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and welcome to SiTime's Third Quarter 2026 Financial Results Conference Call. At this time, all participants are in a listen-only mode. At the conclusion of today's conference call, instructions will be given for the question-and-answer session. [Operator Instructions] As a reminder, this conference call is being recorded today, November 4, 2026.

I would now like to turn the call over to Brett Perry of Shelton Group Investor Relations. Brett, please go ahead.

Brett Perry
Vice President-Investor Relations, Shelton Group

Thank you, Kelly, and good afternoon to those on the call. Welcome to SiTime's third quarter 2026 financial results conference call. Joining us on today's call are SiTime's Chief Executive Officer, Rajesh Vashist; and Chief Financial Officer, Beth Howe.

Before we begin, I'd like to remind everyone that during today's call, management will make forward-looking statements regarding our business, financial performance, market opportunities, growth strategy and future operations.

These statements are subject to the risks and uncertainties that could cause actual results to differ materially from those discussed today. For a discussion of these risks and uncertainties, please refer to today's earnings press release and the company's filings with the SEC, including our most recent Form 10-K and subsequent Form 10-Q filings. SiTime undertakes no obligation to update any forward-looking statements except as required by law.

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During this call, we will also discuss certain non-GAAP financial measures. These measures should be considered as a supplement to and not a substitute for measures of financial performance prepared in accordance with US GAAP.

Reconciliations between GAAP and non-GAAP financial measures are included in today's earnings press release, which is available in the Investor Relations section at SiTime's website at www.sitime.com.

Lastly, unless otherwise noted, all financial comparisons discussed on today's call are on a year-over-year basis.

With that, it's now my pleasure to turn the call over to SiTime's CEO, Rajesh. Please go ahead.

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

Thank you, Brett. Good afternoon, everyone. Thank you for joining us today. I'm delighted to say that on July 1, we completed the acquisition of Renesas' Timing Product Division or TPD.

Q3 was our first full quarter of consolidated results. I'll break out TPD results today to give greater visibility into the performance of both businesses. SiTime had an outstanding third quarter. Combined revenue was $298.7 million, up 257% year-over-year. Gross margin was 70.7%, up 11.9 percentage points and we expect it to remain in this range. Operating margin was 43%, up 25 percentage points and EPS was $4.01, up 360%.

When we announced the acquisition, we said it would accelerate our path to $1 billion in annual revenue and our Q3 results put us above that level on an annualized run rate basis. Our core SiTime business is strong and continues to deliver remarkable growth. Q3 revenue was $212.4 million, up 154% year-over-year. Our core CED business or communications, enterprise and data center again led our growth with revenues up 202% year-over-year.

Our other BUs also grew more than 75% to grow at least 55%, and two regions grew at triple-digit rates. Demand is strong. Book-to-bill increased from Q2. Average order size grew and total distributor inventory remained below our target. Our visibility into 2027 and 2028 continues to improve with significant growth in backlog, average design and value, and the size of our funnel. Our total funnel now stands at $10 billion and has quadrupled since 2025.

TPD also delivered exceptional growth, exceeding expectations. Revenue was $86.3 million, up 67% from Q3 2025 when the business was part of Renesas. The integration has gone exceptionally well across the teams, customers and roadmap. The TPD team is happy to be part of a company that shares their passion and focus on timing. We see positive responses in engagement and retention across TPD locations.

With the addition of TPD, we can provide more complete timing solutions increasing our content in customer systems and making SiTime a more strategic partner. At our largest accounts, our 2027 revenue forecast has increased by 2 to 5 times. Moreover, our greater focus is already creating new opportunities, and the pull through that we envision is happening in both directions.

In CED, rapidly changing data center architectures are creating new opportunities for SiTime. TICs is moving closer to compute stitching together tens of thousands of GPUs with the bandwidth and latency needed to operate as one system. For SiTime, this creates two growth vectors, more complex optical modules and optics coming directly into the compute fabric.

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First, the new optical module generations are ramping rapidly, and each one raises the bar with higher frequencies, lower jitter and greater resilience. All areas where SiTime excelled. Importantly, these generations overlap shipping at the same time and new module types create additional timing opportunities with XPO or eXtra-dense pluggable optics adding clocks along oscillators doubling our content. Between data centers, coherent optics provides the bandwidth to connect large AI workloads. These modules require extremely low jitter timing in the gigahertz range where ASP can increase by up to 5 times.

Second, when optics comes closer to the compute fabric, there is increasing bandwidth with lower power and latency. NPO or near-packaged optics drives up to 2x more oscillators content; and CPO, or co-packaged optics, drives up to 3 times more timing content with high value clocks. SiTime today has design wins with leading customers in XPO, coherent optics, NPO and CPO. The trend is clear. More bandwidth requires more precision timing.

In our other businesses, mobile IoT consumer grew 133% year-over-year, driven by our largest consumer, customer, expanding its modem product across more platforms. At the same time, AI is moving from the cloud into personal devices that requires more sensing, connectivity, localization and always-on processing. Together, these trends increase the need for precise low power timing, and we're seeing new designs in AI smart glasses and pendants that will ramp in 2027 using both Titan resonators and our oscillators.

In our aerospace, defense, automotive and industrial BU, our opportunities are expanding as systems become more autonomous, connected and mission critical. In aerospace defense, our funnel has now reached $900 million, driven by radar, counter-drone systems, and resilient alternatives to GPS. Automotive is approaching $1 billion, with increasing timing content in zonal architectures and autonomous commercial vehicles.

And finally, industrial has reached $1.4 billion, led by physical AI applications such as robotics and smart grid. As these systems continue to become more intelligent and autonomous, real-time decision making and synchronization become critical, significantly increasing SiTime's timing content per system.

A few quarters ago, we talked about the significant opportunities that come with deepening our relationships with leading semiconductor companies. We have now built a dedicated global sales team to engage customers when critical architecture and timing decisions are being made years ahead of production. This gives us early insight into future requirements and helps us develop differentiated solutions across AI training, inference, mobile, automotive, and other markets. As a consequence, our semiconductor funnel has grown 8 times to more than $4 billion, creating a substantial future revenue opportunity.

Our rapid organic growth and the TPD acquisition have structurally changed SiTime. Here are three changes that define the new SiTime. First, our financial model is stronger with higher gross margins, sustainable operating margins of 40%, and broad-based growth across every BU. Our seasonality is less pronounced as CED becomes a larger portion of our overall business.

Second, our relationships with customers are deeper and more strategic. Importantly, this early engagement allows us to influence decisions around new concepts like chiplets, synchronization, and trusted time, where better precision timing can improve performance and availability. We expect that these applications will create a new SAM of $2.5 billion by 2030.

And third, we now have the scale to innovate faster. With the industry's largest team dedicated solely to timing, we can develop more products in parallel and extend the precision timing leadership. For all the progress we've made, we believe we're still in the early stages of what is possible. Our ambition remains clear, we want SiTime to

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be the trusted timing advisor to our customers and the default choice for precision timing in the world's most important electronics systems.

I'll now turn the call over to Beth, our CFO, to review the financial details. Beth?

Elizabeth Howe

Executive Vice President-Finance & Chief Financial Officer, SiTime Corp.

Thanks, Rajesh. Today I'll walk through our third quarter 2026 results and provide our outlook for the fourth quarter. As a reminder, my remarks focus on non-GAAP financial results, which are reconciled to GAAP in our press release.

This quarter marks an inflection point in SiTime's evolution. As our business continues to scale, we now have a broader revenue base, a richer mix of higher value products, and greater operating leverage. And with the addition of TPD, we are further solidifying our leadership in precision timing. This progress is reflected in our third quarter revenue growth, gross margin expansion, and meaningful improvement in net income. At the same time, we are continuing to invest in R&D and go-to-market to support the growth opportunities ahead.

With that context, total revenue for the quarter was $298.7 million, up 257% year-over-year and up 90% sequentially. The newly acquired TPD business delivered revenue of $86.3 million, an increase of 67% compared with a year ago when the business was part of Renesas. Excluding TPD, revenue was $212.4 million, up 154% year-over-year, of which communications, enterprise, and data center delivered revenue of $127.3 million, up 202% year-over-year and up 26% sequentially.

Automotive, industrial, and aerospace/defense generated revenue of $35.5 million, up 76% year-over-year and up 43% sequentially. Mobile IoT and consumer revenue was $49.5 million, up 133% year-over-year and up 58% sequentially, reflecting strong sequential growth in our large consumer customer that contributed $42.7 million in the quarter.

Third quarter gross margin was 70.7%, up 11.9 percentage points year-over-year and 3.6 percentage points sequentially. The primary driver was favorable product mix with a greater contribution from higher value, higher margin products in our core SiTime portfolio, as well as the addition of TPD. Importantly, this improvement reflects the products we are selling rather than price increases. Better manufacturing absorption from higher revenue also contributed.

Operating expenses were $81.6 million, consisting of $48.6 million in R&D and $33 million in SG&A. Operating expenses increased $29.5 million sequentially, in line with the outlook I provided in August. We continue to invest in the engineering capacity, product development, and go-to-market needed to support our growth, while maintaining discipline on our overall cost structure.

Operating income increased to $129.5 million, or 43% of revenue, compared with 34% of revenue in Q2 and 18% a year ago. Other income was $0.8 million. As a result, non-GAAP net income increased over 5x to $130.3 million, and non-GAAP earnings per share were $4.01. These results reflect strong revenue growth, favorable product mix and meaningful operating leverage even as we continued to fund our product roadmap and invest for growth.

Turning to the balance sheet and cash flow. DSO was 61 days in Q3, up 10 days from Q2, primarily reflecting the timing of collections related to TPD with those collections received in early Q4. Inventory increased to $112 million

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to support expected Q4 demand. Together, these working capital movements contributed to the $6.6 million use of operating cash in Q3.

We expect working capital and cash flow to improve in Q4 as collection timing normalizes and integration progresses. Capital expenditures for the quarter were $11.2 million. We ended the quarter with $324 million in cash and short term investments, providing significant liquidity and flexibility to continue investing in the business.

Now looking ahead to Q4. The TPD integration is progressing extremely well. And going forward, we will provide our outlook and report our results on a combined basis. For Q4, we expect revenue of $331 million to $341 million, with both the core SiTime and TPD growing sequentially Q3 to Q4. We expect gross margin to remain around 70% plus or minus a point reflecting the expected mix of the business.

Operating expenses are expected to remain roughly flat with Q3. We expect interest income of $2 million to $2.5 million and a diluted share count of approximately 32.8 million shares. At the midpoint of the range, we would expect Q4 non-GAAP EPS to be approximately $4.76 per share.

And finally today, we announced a three-for-one stock split of SiTime common stock to make our stock more accessible to a broader base of investors. The shareholders of record at the close of business on December 3, 2026 will receive two additional shares for every outstanding share held on the record date and trading will begin on a split adjusted basis on Monday, December 7, 2026.

With that, I'll hand the call back to the operator to open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time, we will conduct the question and answer session. [Operator Instructions]

Our first question comes from the line of Tore Svanberg of Stifel. Your line is now open.

Tore Egil Svanberg
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Yes, thank you. And congratulations on the very strong results. Rajesh, you gave us some great detail there on the exposure to AI data center within the various networks, especially on optical. I'm just curious, from where you sit, where do you expect the content to increase the most for your products, whether it's clocks or oscillators? I mean, it sounds like there's a step function in NPO. And my understanding, there's a further step function then as we start to see CPO get deployed.

Rajesh Vashist
Chairman & Chief Executive Officer, SiTime Corp.

A

Yeah. I think there's it's – I think to answer your question, Tore, it's across the oscillators as well as the clocks. So, one of the easiest ways to say it is my example of the low jitter gigahertz products. They typically are going to be at a higher price, maybe 3x, maybe 4x. So, a gigahertz oscillator may cost $6 to $8. Whereas a megahertz oscillator might be around $1 to $2. So right there, there's a uplevel in pricing.

The other thing that happens is that in NPO, for example, the number of DSPs are much greater and wherever there are more DSPs, there are more oscillators. And there certainly is more clock being used in the NPOs as

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well. Where as you know, the electrical part of the switch is the optics are closer and we have some design wins around that as well. So overall, this is a question that has been asked a few times about what is the impact when there is less copper, whenever that happens, and more optics. And we have always maintained that SiTime benefits to the upside in this trend. And so, we're confirming that with some more detail here.

Tore Egil Svanberg
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Very good. And as my follow-up, I'm very intrigued with the work that you've been doing with semiconductor companies. And I think you mentioned the funnel growing 8 times to about $4 billion. Could you maybe unpack a little bit how that works? I mean, do you get paid by the semiconductor companies for using your chips? Is this perhaps more of like a reference design? And when do we start to see that becoming or that $4 billion funnel materializing into more revenues? Thank you.

Rajesh Vashist
Chairman & Chief Executive Officer, SiTime Corp.

A

Yeah. So, as I have mentioned before, I've talked in previous quarters and said that that's one area where we wanted to invest more money. And the point that I was making was that we now have a fully funded team of several people that are calling on anywhere from the top 10 to top 20 semiconductor companies and going even beyond that. So, the answer is all of the above as to how do we make revenue. First of all, we make revenue directly with some of the customers. In some of these cases we're directly twinned with the product and sold to the semiconductor company itself and then they sell it.

The second part is in the reference design, of course, we get to play in that. And third, there is this co-packaging piece going on, which is going on at a relatively little base or low base, which we expect to ramp up in 2028 and 2029 in particular. So given the time deadlines here, none of this or relatively smaller piece of this $4 billion funnel happens in 2027. Most of it starts to ramp in 2028 and 2029.

And we just wanted to say that there is another aspect, and that is when we engage with semiconductor companies, the conversation is extremely detailed and collaborative in changing architectures to recognize unique products from SiTime. And this gets us embedded further, but it also makes us more consequential to our customers. So, I think it's just an amazing win for us. And I'm really glad that we have the team up and running.

Tore Egil Svanberg
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Thank you for that. And congratulations again.

Operator: Thank you.

Rajesh Vashist
Chairman & Chief Executive Officer, SiTime Corp.

A

Thank you.

Operator: One moment for our next question. Our next question comes from the line of Quinn Bolton of Needham & Company. Your line is now open.

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Quinn Bolton
Analyst, Needham & Co. LLC

Q

Hi, guys. Let me offer my congratulations on the strong outlook. I guess, Rajesh, wanted to start with the TPD business. I know that segment has been fairly wafer constrained. And wondering if you could give us an update on how you see wafer availability for that business? Do you still expect constraints to last into perhaps as far as middle of next year? Or have you been successful with Renesas in increasing wafer support for the TPD business?

Rajesh Vashist
Chairman & Chief Executive Officer, SiTime Corp.

A

Yeah. So, I think in general, constraints will continue through the coming year through 2027. It's the severity of the constraints that we have been very concerned about in this handoff. Not wanting to constrain our customers, frankly, our mutual customers, because Renesas continues to sell to them and wanting to make sure that there are no even severe consequences lying down and such. So, with that, we've been quite successful both with our team as well as the support from Renesas.

But in general, as I said once before, we expect that we will get closer to the supply chain ourselves by Q1 and we start to resolve them, the more severe issues exiting this quarter and getting into Q1, Q2, I think we should be in significantly better shape. However, I have said that is that there is constraints in the supply chain, particularly on the wafers, because of the increased demand. Frankly, neither we nor TPD had expected this huge surge in demand and we're seeing significant growth; all to the good but really something for us to manage, which I'm pretty confident we will by early part of next year, 2027.

Quinn Bolton
Analyst, Needham & Co. LLC

Q

Excellent. And then a follow-up maybe for Beth. Just wondering, it sounds like the book to bill continues to strengthen. Wondering if you could give us a sense how far out do you have visibility or backlog and what are lead times doing on the products? Are they increasing, are they stable? Just any sort of comments on lead times and visibility?

Elizabeth Howe
Executive Vice President-Finance & Chief Financial Officer, SiTime Corp.

A

Yeah. So, we have exceptional visibility heading into 2027. I think we've got a strong design win funnel, and we've got a strong backlog going into the year. So, we feel very well-positioned as we kind of finish up 2026 and going into 2027. When we think about lead time, we're managing the lead times, as Rajesh was just talking about, in the supply constrained environment. It's something that the ops team works really hard with our suppliers on in order to ensure that we can get products, and we're managing through it I think is the best way to frame it.

Quinn Bolton
Analyst, Needham & Co. LLC

Q

Okay. Thank you.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Suji Desilva of ROTH Capital. Your line is now open.

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Suji Desilva
Analyst, ROTH Capital Partners LLC

Q

Hi, Rajesh. Hi, Beth. Congratulations on the results here. I think I heard you say the Renesas product business, you gave a year-over-year number, even though I know it's included for the first time this quarter. Did you say 67% year-over-year? And if you did, what end markets are the key drivers there? And how is that exposure different from SiTime's core end market exposure? Just to understand the sustainability of Renesas' strength.

Elizabeth Howe
Executive Vice President-Finance & Chief Financial Officer, SiTime Corp.

A

Thanks, Suji. So, you're correct, the TPD business grew 67% year-over-year, comparable to when they were part of Renesas. The mix of that business is overwhelmingly probably 80-plus percent in what we would call our comms, enterprise, data center, and the other roughly 15% to 20% is in industrial and automotive for them. So, that's the kind of mix of the businesses. And like our business over the last year plus, it has moved a bit more. They previously were more like 75/25. So, it's moved a bit more in toward the CED; not unexpectedly, given the growth in the market.

Suji Desilva
Analyst, ROTH Capital Partners LLC

Q

Okay. That's helpful, Beth, color there. And then I know when you guys did the acquisition merger, you talked about Renesas' customer base as being exciting part of the opportunity here and cross-sell synergies as they had established Fortune 100 customers. Any near-term kind of early updates there, Rajesh, on how those discussions are going? How the cross-sell opportunity looks to you? Is it going to take time or is that moving along at a nice pace?

Rajesh Vashist
Chairman & Chief Executive Officer, SiTime Corp.

A

Yeah, no, that's what I sort of hinted at my prepared remarks, Suji, that the focus has created new opportunities and the pull-through or the drag-along, if you will, is happening in both directions. I think it's only been a quarter and I think we've already seen the benefit of selling into the TPD customers that some of them they were very strong at. And I think the reverse where we have taken them in with the clocking products into customers that we were stronger at, I think, is already happening.

I think clocking is clearly more architectural, more "strategic" to customers. So, that probably helps us, the old SiTime, more, but it's also true that we are able to take them significantly into some of the new architectures, which will pay off in the future. So, it's really working exactly the way I thought, including with the integration.

Suji Desilva
Analyst, ROTH Capital Partners LLC

Q

Okay. Appreciate the color, Rajesh. Thanks.

Operator: Thank you. Our next question comes from the line of Gary Mobley. Gary, one second.

Gaurav Saini
Analyst, StoneX Group Inc.

Q

Hi, Rajesh. Hi, Beth.

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Operator: Gary, your line is now open. Sorry.

Gaurav Saini
Analyst, StoneX Group Inc.

Q

No worries. Hi, Rajesh. Hi, Beth. Gaurav Saini from StoneX on behalf of Gary Mobley. Congrats on the quarter, guys, and thanks for taking my question. So, just wanted to ask specifically about the design win pipeline. We're starting to hear more customers shift towards precision timing and away from quartz. So, I'd love to get a sense at, A, how has your guys' opportunity pipeline changed over, call it, the last 12 to 24 months? And B, how are you sort of handling that on the resource side, both your own sales team, and then also your distribution network? Would love to get some color on that.

Rajesh Vashist
Chairman & Chief Executive Officer, SiTime Corp.

A

Yeah. So, as I said, we've seen quite a surge in demand. I mean, especially when you widen the aperture from 12 to 24 months. There's no doubt that the increase in demand has been amazing. We can now see not just in the – sitting here in 2026, not only do we see into 2027, but we can see into 2028 as well. And there are new architectures that I talked about, whether it's with semiconductor companies or hyperscalers that we can see.

That is also true, by the way, in the non-CED business. I think we have opportunities in military, aerospace/defense, and industrial. We talked about robotics. We talked about the smart grid, I think. As you know, in automotive, it's a little bit of a longer cycle, and we're starting to see some of those longer cycles play out now in our favor. So, I think we have significant breadth coming in that. And so, our funnel is larger. Our number of sales people and FAEs is significantly larger. So, we probably have the larger sales force now calling on it worldwide with special emphasis in China and in EMEA. So, that's helping us.

As far as distribution goes, as you know, we are fulfilling through distribution, we are a design-win company that chooses to basically sell through. We don't have a distribution business that's very large, that's selling into stocking, and then selling out of stocking programs. It's very much a made for the customer, program to the customer, design for the customer thing. So, our distributor inventory is at very healthy levels, and we're very happy with that.

Gaurav Saini
Analyst, StoneX Group Inc.

Q

Got it. Thank you. And then, just my follow-up. I know you guys mentioned core CED grew over 200% year-over-year, which is great to see. So, just wanted to double click on that. How has the mix shifted, call it, again over the past few years between CPUs, GPUs, custom xPUs? And I know you guys also mentioned optical modules. Just trying to get a better understanding of whether this has moved away from being GPU centric and become much more diversified. Thank you.

Rajesh Vashist
Chairman & Chief Executive Officer, SiTime Corp.

A

Yeah, I don't think we see a big change in that. We still see the connectivity part, the networking part as a very strong piece, call it around a 50% of our business is around modules, AECs, connectivity. But at the same time, on the racks side of the business, our business continues to grow with the switches, with the accelerator cards, with the level of inference where we get 2x to 3x more in the CPU and the servers and continued strong business in the GPU. So, it's kind of like a 50-50 thing. And both of those markets continue to grow solidly.

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Gaurav Saini
Analyst, StoneX Group Inc.

Q

Sounds great. Thanks again, guys, and congrats on the quarter.

Rajesh Vashist
Chairman & Chief Executive Officer, SiTime Corp.

A

Thank you.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Sajal Dogra of Rosenblatt Securities. Your line is now open.

Sajal Dogra
Analyst, Rosenblatt Securities, Inc.

Q

Hi. Thank you for taking my question and congrats on the great results. So, you said on your 2027 revenue forecast that your largest customer accounts have increased to 5 times. So, what does that compare against and how does that increase like does it refer to TPD? Is it for SiTime or is it the combined portfolio? And can you give us a sense of the incremental dollars and how much of this is already backed by firm customer orders? Thank you.

Rajesh Vashist
Chairman & Chief Executive Officer, SiTime Corp.

A

Yeah. Thank you, Sajal. Welcome to SiTime.

Sajal Dogra
Analyst, Rosenblatt Securities, Inc.

Q

Thank you.

Rajesh Vashist
Chairman & Chief Executive Officer, SiTime Corp.

A

Basically, what we're seeing – yeah, we're basically seeing a significant increase in design wins. So, most of that refers back to the design win side of the business. And what we wanted to do was give our investors a flavor of how strong our pipeline for design wins is and how strong that funnel is. And so, all of that refers to that. And it's all over, in all areas, really across the business. And maybe Beth wanted to say – to add something to that.

Elizabeth Howe
Executive Vice President-Finance & Chief Financial Officer, SiTime Corp.

A

Yeah. And in addition, it's also points to the complementary nature of our TPD plus SiTime. As we talked about when we did the deal, there were a number of customers where they had a large installation and maybe were less of a customer for SiTime and some of SiTime's larger customers where TPD had less of a presence.

And so, one of the things that we're talking about here is this combination of now having TPD and SiTime. You're seeing that complementary nature in that increase in our forecast as we bring these two companies together and some of those customers where maybe SiTime hadn't had much of a presence previously, we now have a much larger presence.

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Sajal Dogra
Analyst, Rosenblatt Securities, Inc.

Q

Got it. And so, as my follow-up, I guess at OCP, we heard architects discussing a move from basically microsecond of synchronization error towards tens of nanoseconds. So, in the design wins for 2027, where does that first translate into a SiTime socket? Is it on the NICs side or is it on the compute tray or is that still like on the switch? And how much of that stuff is shipping in current design wins versus the next generation? Thank you.

Rajesh Vashist
Chairman & Chief Executive Officer, SiTime Corp.

A

Yeah, very little of that will be shipping in the 2026 or even in the 2027 timeframe, Sajal. I think that's all directional and I was at some part of it and it's a very kind of a thoughtful conversation on where the system is headed. But I think directionally, you're correct. When it gets to that level of precision, I think that there's almost nobody else who can supply what we are talking about with the kinds of latencies that we're talking about.

Clearly, optics, the greater move into optics is going to drive more of that. And I think there's some innovative architectures that are happening now. But I wouldn't expect much beyond NICs and TCXOs from SiTime connecting, right? So, the NIC cards connect with the high precision TCXOs. And there's just more use case of them on the accelerator cards.

Sajal Dogra
Analyst, Rosenblatt Securities, Inc.

Q

Okay. Thank you.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Nicole Kozhukhov of Morgan Stanley, your line is now open. Nicole, if you are on the line. It is now open. I'm not hearing a response at the moment. We can probably move on.

Elizabeth Howe
Executive Vice President-Finance & Chief Financial Officer, SiTime Corp.

A

Operator, let's move on and we can come back to Nicole.

Operator: Absolutely. One moment. Our next question comes from the line of Jim Schneider of Goldman Sachs. Your line is now open.

James Edward Schneider
Analyst, Goldman Sachs & Co. LLC

Q

Good afternoon. Thanks for taking my question. As I know you don't want to guide more than one quarter in advance. But I was wondering if you could help us understand at least the specific design win in the smartphone segment of one of your large customers. What sort of seasonality will that have, if any, heading into the March quarter or would we think that some of the model ramps that are happening at the beginning of the year would more than offset that typical seasonality. Just wanted to make sure we're level set on that.

Elizabeth Howe
Executive Vice President-Finance & Chief Financial Officer, SiTime Corp.

A

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Hey, Jim. This is Beth. Thanks for the question. So, as we ramp that design win, I do think it will modulate the normal typical Q4 to Q1 seasonality a bit for at least for this 2026 to 2027 year.

James Edward Schneider
Analyst, Goldman Sachs & Co. LLC

Q

And then as we – I mean, I guess as we think about the CED business over the course of 2027 and start to model that, how would you encourage us to think about the linearity of that revenue? Because I know there's many moving parts between your own business ramping with the design wins and also the Renesas business, presumably a little bit less supply constrained. And maybe give us – if you can address anything about the supply constraint end of it, that would be great. Thank you.

Elizabeth Howe
Executive Vice President-Finance & Chief Financial Officer, SiTime Corp.

A

So, as we think about seasonality in CED, I think given all of the dynamics of that market and the way AI is evolving over the last many quarters, I think it's hard to necessarily talk about seasonality per se. But probably 2027 looks a bit like 2026. But I think it's really hard to predict the seasonality because it can come in the form of, with these big customers, a little bit of revenue shifting from one quarter to another depending on when exactly we ship can move kind of those, the growth percentages there. But 2027 probably looks comparable to 2026 from that perspective as we continue to see sequential growth in CED. So that's kind of as we see it today.

James Edward Schneider
Analyst, Goldman Sachs & Co. LLC

Q

Thank you.

Rajesh Vashist
Chairman & Chief Executive Officer, SiTime Corp.

A

And to add to that, in terms of tightness of supply, I think that in the short term, in Q3 and Q4, we've struggled more with the supply chain from the acquisition of TPD because we've had to rely on TSAs from Renesas. And so, as we have gotten closer to the business, trying to understand the specific needs has taken a little bit of time, given the supply chain that we have had to deal with.

As to the old core business, if you will, of SiTime, the old business of SiTime, sure we have some supply constraints, but nothing that we can't manage. In general, we think we'll have managed all of this by the start of Q1 and certainly the more stock parts of the shortages for the TPD business will probably be handled through this quarter and will be in positive space in Q1.

Elizabeth Howe
Executive Vice President-Finance & Chief Financial Officer, SiTime Corp.

A

Operator, is there a next question?

Operator: Yes, one moment, please. Our next question comes from the line of Chris Caso of Wolfe Research. Your line is now open.

Chris Caso
Analyst, Wolfe Research LLC

Q

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Yes, thanks. Good evening. My question is about the diversification of the CED business. And I know that your share and your content isn't equal across all the platforms, but I know you're making some efforts in order to do so. Can you comment on that? And I mean, considering that some of the custom xPU solutions we're expecting to probably grow faster than some of the merchant solutions over the next year. What does that mean for the CED business as you go into 2027?

Rajesh Vashist
Chairman & Chief Executive Officer, SiTime Corp.
A

Yeah. Thanks, Chris. I think we expect that to have a pretty strong impact on growth, because we are seeing multiple design wins in that space. So, we expect that to do very well in CED, in general. What we wanted to give was a sense in – when we talked about the funnel, was a sense of how big it is and how pervasive across all applications it is, whether it is in the GPU, the CPU part, whether it is in NICs and switches, but also in the connectivity pieces.

And the one plus one equals three part, the getting the oscillators and the clocking solutions together of old SiTime and TPD for the new SiTime, I think it makes our portfolio complete and allows us to win designs against people who have been in the clocking business, and gives a significant conversation around architectures that we didn't have. So, it's really coming through for us the way we expected it to.

Chris Caso
Analyst, Wolfe Research LLC
Q

Got it. As a follow-up, Beth, I know you've spoken about the necessity. Now that you've brought the TPD business on to kind of fill in some of the things that didn't come along with TPD, such as sales. What should we expect for OpEx as we go through the next year, as you make some of those hires and you integrate that TPD business and fill in some of those blanks?

Elizabeth Howe
Executive Vice President-Finance & Chief Financial Officer, SiTime Corp.
A

You're absolutely right, Chris. When we acquired TPD, we primarily acquired engineers, a few FAEs, and a few folks in operations. And we're building out the infrastructure to support that business, whether it be finance, HR, legal, even building up a sales team as well to support that. So, growing that infrastructure combined with supporting the growth of our own business, I would expect that we continue to see kind of sequential increases in OpEx from Q4 to Q1, Q1 to Q2. In general, that's what I do expect is those sequential increases.

Now, from time to time, as we're seeing Q3 to Q4, the timing of program expenses or some of these items can be a little uneven quarter to quarter. But overall, I would expect sequential growth as we go through 2027.

Chris Caso
Analyst, Wolfe Research LLC
Q

Thank you.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Nicole Kozhukhov of Morgan Stanley. Your line is now open.

Joe Moore
Analyst, Morgan Stanley & Co. LLC
Q

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Hi. We figured this out. It's Joe Moore from Morgan Stanley. Somehow I got registered under the wrong name. But thank you, guys. I wonder if you could talk about the market share on 1.6 terabit. You've talked about being much higher market share than you were at 400 gigabit. Where are you now from a mix standpoint, 400, 800 gigabit, 1.6 terabit, and should we think about that as a growth driver for you as 1.6 becomes a bigger part of the mix?

Rajesh Vashist
Chairman & Chief Executive Officer, SiTime Corp.

A

Yeah, absolutely. We should as it transitions towards from 800 gigabit to 1.6 terabit and beyond that, for that matter to 3.2 terabit. We didn't have a very large portion of our business in the 400 gigabit. So, while we are shipping in the 400 and we expect that to ship for a couple more years, we have a relatively small market share.

In the 800 gigabit, it grew over 400 gigabit, and I would say that in the 1.6 terabit, it grows again. So, there's a unit uplift, market share uplift, but there's also an ASP uplift going from 800 gigabit to 1.6 terabit. And we have indicated that as being a significant value of growth in revenue because of performance and other attributes that we have.

Joe Moore
Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you very much.

Operator: Thank you. This concludes the question and answer session. I would now like to turn it back to Rajesh for closing remarks.

Rajesh Vashist
Chairman & Chief Executive Officer, SiTime Corp.

Yeah, thank you for that. We really see ourselves as the company that after the acquisition has really transformed itself into this place where there's fundamental changes between our scale.

I think the scale of engineers, the scale of sales, the scale of the business itself is very high and it helps us to grow the financial translation over to high gross margin, high net operating margin company, I think it is already happening. And then the closer move to customers across the market, I think, has really changed SiTime.

So, I think our customers recognize it. Our partners recognize it. And I think we wanted to make sure that our investors get to see that we see ourselves as having fundamentally transformed from this $1 billion tipping point revenue onwards to greater growth and greater impact in the market.

So, with all that, we thank all our investors and we invite them to join the ride for future and even better times. Thank you very much.

Operator: Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

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