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SiTime Corp. (SITM)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. Welcome to SiTime's First Quarter 2026 Conference Call. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your first speaker today, Leanne Sievers, President of Shelton Group. Please go ahead.

Leanne K. Sievers
President, Shelton Group

Thank you, James. Good afternoon and welcome to today's conference call for SiTime's first quarter 2026 financial results. Joining us on today's call from SiTime are Rajesh Vashist, Chief Executive Officer; and Beth Howe, Chief Financial Officer.

Before we begin, I'd like to point out that during the course of this call, the company may make forward-looking statements regarding expected future results, including financial position, strategy and plans, future operations, the timing market and other areas of discussion. It's not possible for the company's management to predict all risks, nor can the company assess the impact of all factors on its business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements.

In light of these risks, uncertainties and assumptions, the forward-looking events discussed during this call may not occur, and actual results could differ materially and adversely from those anticipated or implied. Neither the company nor any person assumes responsibility for the accuracy and completeness of forward-looking statements. The company undertakes no obligation to publicly update forward-looking statements for any reason after the date of this call to conform statements to actual results or to changes in the company's expectations.

For more detailed information on risks associated with the business, we refer you to the risk factors described in the company's annual report on Form 10-K for the year ended December 31, 2025, as well as the company's subsequent filings with the SEC, including the company's quarterly reports on Form 10-Q.

During the call, management will refer to non-GAAP financial measures, which are considered to be an important measure of company performance. These non-GAAP financial measures are provided in addition to and not as a substitute for or superior to measures of financial performance prepared in accordance with US GAAP. This GAAP to non-GAAP reconciliation includes stock-based compensation expense, amortization of acquired intangibles and acquisition-related expenses, which include transaction and certain other cash costs associated with business acquisition, as well as changes in the estimated fair value of earnout liabilities and accretion of acquisition consideration payable.

Please refer to the company's press release issued earlier today for a detailed reconciliation between GAAP and non-GAAP financial results. Unless otherwise specifically noted, all comparisons made during this webcast are year-over-year comparisons with a corresponding year-ago period.

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

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

Thanks, Leanne. Good afternoon and thank you for joining us today. We had a very strong start to 2026, driven by AI infrastructure and the significantly increased demand for precision timing. In 2010, SiTime saw an opportunity in the highly fragmented commodity-oriented timing industry. We forecasted then that timing would grow rapidly and become even more critical.

We approached the problem from a systems view and built differentiated platforms delivering high performance, resilience and reliability. In other words, we created the category of precision timing, which has become important in hundreds of applications. I'm deeply satisfied how successful precision timing has become, as seen by the scale of our growth and the speed at which we have achieved it.

Today, with precision timing, SiTime addresses a \$4 billion SAM, in the \$11 billion timing total available market in the high-growth areas of physical and infrastructure AI, autonomy, mobility, and high-speed communications. I believe that these achievements have established SiTime as a key player in semiconductors.

As far as our financial model goes, we can say, promises made, promises kept in all key financial metrics. Our long-term financial model was 25% to 30% of annual revenue growth, and we have significantly exceeded it. We also set targets of 65% gross margin and 30% operating margin, which we expect to achieve in second quarter, Q2 2026. I believe that these metrics are sustainable as they come from highly differentiated products that deliver high value and therefore high ASPs and gross margins.

Moving on to the numbers, we delivered \$113.6 million in Q1 2026 up 88% year-over-year. Earnings per share increased fivefold from \$0.26 to \$1.44. Gross margin reached 64.5%, up 7.1%, and operating margin was 28%.

Growth was strong across all the regions, ranging from 30% to 140%. It's no surprise that our CED business unit led growth in Q1 2026. CED grew 158% year-over-year, marking our 8th consecutive quarter of triple-digit percentage growth, and we see this high-growth trend continuing.

Our book-to-bill is growing. With pull-through from the channel, keeping inventories at the desired target. Here are some details. CED benefits from the deployment of inference infrastructure and increased networking bandwidth within the data center. On inference infrastructure built on newer xPUs, it needs two to four times more timing content per system than in training infrastructure.

GPU utilization in inference workloads is now 20% to 40% and is targeted to get to 50% to 60%. Here, time synchronization plays a critical role in achieving higher GPU utilization and SiTime benefits from its products being used in this application. This emphasis on synchronization is driving demand for high ASPs and high margin products.

Elite and Elite RF Super-TCXOs are widely deployed in AI infrastructure, and we have recently exceeded and extended our leadership with the new Elite 2 Super-TCXO family. This newer Elite 2 delivers up to three times better synchronization performance compared to Elite, which was already significantly better than quartz oscillators.

With increasing demand, this class of product addresses \$1.5 billion of cumulative SAM over the next five-years. As hyperscalers increase networking bandwidth within the data center, we expect to see meaningful adoption of 1.6 terabit optical modules in 2026. Higher frequencies and the need for more resilient performance are driving demand of our advanced oscillators at a higher price than those used in 800G.

At the same time, we expect to see continued strong shipment for oscillators for 400G and 800G for at least the next two-years. On CPO, or co-packaged optics, in our discussion with customers, we see even greater strength. For example, in CPO switches, where timing content can be up to three times higher.

Finishing up on the telecom part of CED, we see increasing convergence between AI and advanced telecom infrastructures, especially in 5G RAN or radio access networks, and demand from new applications such as FWA or fixed wireless access. AI-enabled telecom designs contain three times higher timing content, primarily from high-ASP oscillators and clocks.

Our aerospace and defense business is another good example of the need for precision timing. Our success in LEO or low earth orbit satellites enables global connectivity, navigation, and broadband access. LEO satellites have up to \$2,000 of SiTime content per satellite, and we expect 7,000 to 10,000 LEO satellite launches over the next three-years.

With up to 50,000 LEO satellites deployed over the next 10 years, we see a strong outlook on this business. Defense PNT, also known as positioning, navigation, timing systems, satellite communications, autonomous drones, and smart munitions have already used SiTime products. We expect to benefit from recent increases in government spending to replenish supply and increase output where many of these are in high volumes.

Our aerospace defense funnel is about \$0.5 billion in lifetime revenue, and our funnel-to-revenue conversion in this business is twice that of other businesses. We are well on track to achieve \$100 million in aerospace defense revenue the next few years with an expanded roadmap and strong customer relationships.

In mobile, IoT, and consumer, revenue momentum continues as our largest consumer customer is expected to expand deployments across additional platforms. At other consumer customers, AI categories such as smart glasses, personal productivity devices, and wearables are driving demand for ultra-small, low-power high-accuracy timing. This is where Titan resonators are gaining strong traction with semiconductor partners and OEMs, and the funnel has grown to \$400 million since introduction.

On a separate note, our announced Renesas acquisition remains on track, and we continue to be optimistic about this combination. As we experience rapid growth, we continue to invest in people, systems, and technology that makes us more productive, delivering even more valuable products faster. We expect to continue to drive durable revenue and deepen customer relationships. We're now entering SiTime's next phase of growth from a position of strength, and I'm confident in our trajectory and very excited about what lies ahead for SiTime. Beth?

Elizabeth Howe

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

Thanks, Rajesh. Today, I'll walk through our first quarter 2026 results, and then I'll provide our outlook for the second quarter. As a reminder, my remarks focus on non-GAAP financial results, which are reconciled to GAAP in our press release. Our first quarter results underscore the scalability and discipline of our operating model. We delivered strong revenue growth, expanded gross margins, and demonstrated meaningful operating leverage, growing revenue 88% and expanding operating margins by 25% versus the year-ago quarter.

These results build on leverage we have demonstrated over multiple quarters, and Q1 reinforces the durability of our model as we scale. This performance was driven by strong execution in the quarter, with revenue of \$113.6 million, up 88% year-on-year. Sequentially, revenue was essentially flat with Q4, significantly better than anticipated at the beginning of the quarter, primarily driven by stronger than expected demand in AI data center applications.

Communications enterprise and data center revenue was \$75.7 million or 66.6% of total revenue, growing 158% year-over-year and 17% sequentially. This growth reflects the breadth of demand across AI infrastructure, including optical modules, switches, smart NICs and accelerator platforms. Automotive, industrial, and aerospace defense revenue was \$21.2 million, or 18.7% of total revenue, up 51% year-on-year.

Within this sector, aerospace and defense was the fastest growing area, with all three subsectors benefiting from the accelerating adoption of precision timing across autonomous systems, defense modernization, and industrial automation. Mobile, IoT, and consumer revenue was \$16.7 million, or 14.7% of total revenue, down 1% year-over-year, with our largest consumer customer contributing \$10.2 million for the quarter.

First quarter gross margin was 64.5%, an increase of 7.1 percentage points year-over-year. The improvement was driven by two factors. Roughly half of the increase was driven by favorable product mix of higher margin products, reflecting strong CED growth, which carries higher above-average gross margins, combined with a lower mix of consumer products. The other half was driven by product cost improvements and better manufacturing absorption on higher revenue.

Operating expenses for the quarter were \$41.5 million, consisting of \$21.5 million of R&D and \$20 million of SG&A. This reflects intentional investments to support our growth, including higher head count and variable compensation tied to revenue performance, as well as continued investments in our long-term roadmap. Operating income for the quarter was \$31.8 million, an increase of \$29.8 million year-over-year. Operating margins expanded by 25 percentage points from 3% in Q1 2025 to 28% this quarter. We are investing with conviction in the business and are delivering clear operating leverage as we do so. Interest and other income was

\$7.1 million, and non-GAAP net income was \$38.1 million. Earnings per share increased more than fivefold to \$1.44 per share compared to \$0.26 per share a year ago.

Let me now turn to the balance sheet. Accounts receivables ended the quarter at \$55 million, and days sales outstanding were 44 days, up from 36 days in Q4 as revenue linearity normalized. Inventory increased to \$91.1 million in Q1, up from \$81.6 million in Q4, in line with revenue growth. During the quarter, cash flow from operations more than doubled to \$31.2 million, up from \$15 million a year ago. We ended Q1 with strong liquidity position of \$789 million in cash and short-term investments.

Now let me turn to our outlook. This outlook is for SiTime and does not assume any benefit from the acquisition of the Renesas Timing business, which is not yet closed. I'll start with a few comments on the full year and then move to the June quarter. For the full year, we are increasing our revenue growth expectations to at least 80%, well above our prior expectations and our long-term target growth rate of 25% to 30%. This step change in growth reflects both the depth of our order book and the confidence customers are signaling in their own demand forecasts, particularly in CED. That confidence is translating into improved visibility, reinforcing our expectation for sustained momentum throughout the year.

For the June quarter, we expect revenue to be in the range of \$140 million to \$150 million up more than 100% year-on-year. Gross margin to be approximately 65%, plus minus a point, given our expected product mix for Q2. Operating expenses expected to be in the range of \$46 million to \$47 million as we continue to invest in growth. We expect interest income of approximately \$5 million and a share count of approximately 27.5 million shares.

As a result, we expect Q2 non-GAAP EPS to be in the range of \$1.85 to \$2 per share. In closing, our first quarter results underscore the scalability and discipline of our operating model. These results build on the leverage we have demonstrated over multiple quarters and reflect strong execution across our end markets.

As we look ahead, we are confident in our ability to scale efficiently, deliver sustained profitability, and execute on the opportunities in front of us.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time, we will conduct the question-and-answer session. Please limit to one question and one follow up. [Operator Instructions] Please stand by while we compile the Q&A roster. Our first question comes from the line of Tim Arcuri from UBS.

Timothy Arcuri

Analyst, UBS Securities LLC

Q

19:45Hi, thanks a lot. Rajesh, can you just talk about, I mean, it sounds like CED is white hot in June and then the rest of the year as well. Can you talk about specifically what that's from? Is it all XPU-related? Is it optical-related?

Maybe you can just kind of double-click on that for us.

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

A

Sure thing. Yeah, so basically, it's two things that I said are leading it. One is the inference infrastructure, all the XPUs, the switches, the inference workloads. Those are growing as well as our content is growing in units, but also the ASPs are growing. The second one is of course the networking bandwidth within the data center. In other words, optical modules and everything connectivity, including active cabling, especially with the growth of the 1.6 terabit optical modules, which is growing, as we said the last time, at a higher rate than we had anticipated last year. So, as you said, everything is doing really well, but I must say that so is the rest of our business. So that just to put in a plug for that, our other businesses are going very well as well.

Timothy Arcuri

Analyst, UBS Securities LLC

Q

Thanks. And then, Beth, I just wanted to ask about gross margin into the back half of the year. I know your large customer will come back. That'll probably pull margins down a little bit, but the CED mix is definitely much higher.

So do you think, I mean, maybe margins come down a little bit off of the June level, but can you give us some puts and takes to think about into the back half of the year off of the June margin level? Thanks.

Elizabeth Howe

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

A

Thanks, Tim. Great question. So as you noted, there are a couple of puts and takes in our gross margins. We certainly benefited in Q1 from kind of the double benefit of a stronger mix of CED, which has those higher gross margins, and a lower mix of consumer. As we move through the year, we would expect consumer to be a larger portion of the mix in the back half, which might modulate gross margins a bit just based on mix. But overall, we still expect gross margins to be above that 60% level and kind of well into this range, but it may modulate a bit, but still very toward the higher end of our target range.

Timothy Arcuri

Analyst, UBS Securities LLC

Q

Okay, thank you.

Operator: Thank you. Our next question comes from the line of Tore Svanberg from Stifel. Tore, your line is now open.

Tore Egil Svanberg

Analyst, Stifel, Nicolaus & Co., Inc.

Q

22:23 Yes, thank you, Rajesh. Congrats on the very strong results. I guess our first question is on the Q2 guidance. Looks like 28% sequential growth at the midpoint. Can you maybe talk a little bit about the three segments and how you expect them to perform in the June quarter?

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

A

Yeah, thanks, Tore. Basically, I think the growth that we have seen, the pattern of growth we saw in Q1 continues in Q2. I think that the CED business continues to grow at its fast pace. The military aerospace defense industrial automotive business continues at the speed with which it has been growing. It's not growing, of course, as high as the CED, but it grows strongly all through the year.

And finally, our mobile and consumer business is obviously going to be, as noted earlier, significantly stronger in the second half of the year. But it does grow over the Q1 sort of part of the business. Basically, SiTime is demonstrating its diversified nature of our business. I also talked about telecom with that point of view just to say that in the world of AI, it's not just only about the data center, it's about different kinds of AI including the AI in the, in, for example, the fixed wireless or RAN radio access network businesses.

Tore Egil Svanberg

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Very good. And as my follow-up, there's always a lot of focus on high-precision timing for the right reasons. But I think, perhaps what is overlooked sometimes is your business model and your supply chain. I remember back in the pandemic years, you gained a lot of share because you actually had capacity while your competitors didn't. And I know it's probably still a bit early, but it does feel like we're getting into sort of a similar environment again now with capacity being tight in a lot of different places. So, I'm just wondering if your supply chain, the uniqueness of that supply chain, is allowing you to gain even more share during the current upcycle. Thank you.

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

A

Right. Yeah. Our capacity, in short, is very solid. We feel very good about it. As you know, we have our MEMS chips, and we have, which come from Bosch, and we have our analog chips, which are in the older geometries like 180 nanometers, 150, 130 nanometers, which comes mostly from TSMC. All of those are in good shape. I think we have some challenges from time to time in the backend, particularly with the OSATs. Because of the volume, as you noted. But there's nothing there that's beyond the usual execution issues that we can't solve. So, we feel pretty good about it.

Back in 2025, early 2025, and maybe even late 2024, we made a number of changes around automation in the backend, around the use of AI in our test programs, in characterization that have given us particular speed. And I'd like to note that that has made us significantly more productive with less CapEx than would typically be needed. So not only are we a purveyor of products that help in the AI rollout, we are starting to significantly improve productivity by the use of AI in the backend, but in significantly other areas as well.

Tore Egil Svanberg

Analyst, Stifel, Nicolaus & Co., Inc.

Excellent. Congrats again.

Q

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

Thank you.

A

Operator: Thank you. Our next question comes from the line of Quinn Bolton from Needham & Company. Quinn, your line is now open.

Quinn Bolton

Analyst, Needham & Co. LLC

26:30 Thank you very much for taking the question and congratulations on the really nice outlook. Rajesh, you touched on it in your script, but was hoping you might be able to expand on why the inferencing drives even greater demand for precision timing and the synchronization requirements. You mentioned, I think if I heard you right, that the inferencing content could be 2x to 4x the training content. And so in the past, I think you've talked about on some of the training racks you might have had high hundreds of dollars of content. Wondering if you might be able to give us what you think your content per rack might be for an inferencing rack. Certainly, sounds like it could reach into the 1,000 plus range?

Q

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

Yeah. I mean, look, what we see is that there is a greater need for GPU utilization and lower latency and higher throughput. All of those are dependent upon just the, the bare performance, the clear performance requirements around stability, around jitter, around phase noise reduction. And then as you noted, around synchronization. So, we said basically that it's not that there's anything particularly critical about inference that's driving it. It was always thus. It's just that there's a lot more inference work happening, and the workloads are expected to get up to 28:00 significant utilizations of up to 50% to 60%, driving the use case for synchronization.

A

This is a story we have talked about in other areas before. It's just maybe that it didn't come through that this is something that we expect to keep on happening more and more. The other part is that we are adding products like Elite 2 Super-TCXO that are higher priced, higher performance, higher throughput and better synchronization than all our previous generations of products. So, we're accelerating our performance as well as the need for more of these products in volume.

Quinn Bolton

Analyst, Needham & Co. LLC

So, it sounds like it's kind of both an ASP as well as a unit driver...

Q

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

That's right.

A

Quinn Bolton

Analyst, Needham & Co. LLC

...to deliver that better synchronization and higher GPU utilization.

Q

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

That's right. And we expect it to continue at significant levels.

A

Quinn Bolton

Analyst, Needham & Co. LLC

Perfect. And then just I guess, quickly on the gross margin, Beth. The revenue step up in Q2 certainly seems like you'd be getting some pretty good absorption of any fixed costs. And so, is there any particular headwind to gross margin second quarter? It sounds like CED is going to lead growth, which I think would be a net positive for margin. So, just want to make sure, are there any sort of offsets? Does the consumer really start to pick up in June or anything else? Keep that margin from expanding further than the 50 basis points you guided to?

Q

Elizabeth Howe

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

Thanks for the question, Quinn. So, as we look at it, we did have some benefits in Q1 that drove a little bit higher gross margin. And so, sometimes you can't anticipate those. And as we think about Q2 and certainly the back half of the year, we do expect a more normalized mix of consumer, which does have lower gross margins. And so again, a little bit of some, some benefits in Q1 combined with the mix in Q2 is really what's driving it.

A

Quinn Bolton

Analyst, Needham & Co. LLC

Got it. Thank you.

Q

Operator: Thank you. Our next question comes from the line of Chris Caso from Wolfe Research. Chris, your line is now open.

Chris Caso

Analyst, Wolfe Research LLC

30:34Yeah. Thank you. Good evening. I guess the first question, Rajesh, is, maybe what's changed here, that's shifted things into higher gear. And I think, what you said was the combination of units, content and pricing. And I think, I'm sure you would've anticipated qualitatively what's been going on for some time. Which one of those elements is what's kind of causing the inflection here, or perhaps it's a combination of all three? Interested in your view on that.

Q

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

Yeah. Chris, you're absolutely right. We've seen this coming, but seeing it coming and having it happen in the timeframe with the speed and the volume that it's been happening has been very gratifying to see. As you know, we have a variety of customers. We sell to GPUs, XPU's, TPU's, and then we sell into the switches in the AI business. And then finally in the connectivity part of it, with more than 15 to 20 module makers and others that are involved in this technology.

A

So, I think it's a very broad overview and we just see a ground swell across the numbers, the units, the ASPs and more other customers coming into the fray. We've always indicated that some of the customers are better penetrated than others. And I guess now we're starting to penetrate the ones that we haven't done as good a job as previously. So, it's really just all around, as you indicated. And it's just happening now.

Chris Caso

Analyst, Wolfe Research LLC

Q

Right. And I guess, the last part of your answer kind of dovetails on my next question, which would be, sort of a share of TAM. And maybe you could speak to the extent to which your penetration of some of those other customers has helped here. And is this something that you would expect as you go the years, sort of a step change in revenue at some point as you bring some other customers on? Is it more gradual than that? And how much has new customer penetration helped drive these numbers?

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

A

Yeah. New customer penetration has certainly helped but expanding share within older customers because we were never fully penetrated, and we're still not fully penetrated in all our customers, particularly in the AI space. So, expanding where we were has been important, increases in ASP, increases in volumes. There is some benefit to, particularly in the module business, where the volumes have soared recently. And we see that some of our competitors using older technologies have been unable to keep up with it. This is different from the 2021, 2022. It's more that SiTime continues now to be an established player of high-quality products. And so, we get to be one of the first go-to's as our customers find that they need more and product.

So, I don't think that this is going to stop. I think that we see this continuing, because of the SiTime focus in all this. Our oscillators are gaining traction at higher ASPs. Our clocks, even though, we have a relatively smaller portfolio of around 50 clocks, is finding greater traction. I think the focus of the company, we also in recent months have added more salespeople and businesspeople. We have talked about that in the past before. So, we are able to handle better, our businesses.

In short, we are coming to a tipping point of this company where just the native SiTime business pre the acquisition is really showing its strength. And we wanted to indicate that we see that as a standalone business of the business, we've been in for the last six, seven years since we went public, as a very strong business and we wanted to send that message out.

Chris Caso

Analyst, Wolfe Research LLC

Q

Great. Thank you.

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

A

Yeah.

Operator: Thank you. Our next question comes from the line of Gary Mobley from Loop Capital. Gary, your line is now open.

Gary Mobley

Analyst, Loop Capital Markets LLC

Q

35:40 Good afternoon. Thanks for taking my question. And let me also extend my congratulations on the solid results. I wanted to start out with a multi-part question on the Renesas clock business. I realize this is an asset carve-out for Renesas and hence when you announced the acquisition, you were uncertain about the expenses you would take on other than 160 engineers. And so, my question is, do you have a better handle on the OpEx that you'll be taking on from this asset purchase? And then I guess unrelated to that, have you gotten any initial feedback from customers, any idea of perhaps some additional sales synergies from this acquisition?

Elizabeth Howe

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

A

Hey, Gary. Maybe I'll start with that question. In terms of the, as we've gotten to know the acquisition a little bit and some of the cost structure. So, we are still in our planning phase for integration and that's moving on track. We do feel that we, the modeling that we did in terms of the cost structure, it's kind of as we get to know it, it's panning out kind of roughly where we thought it would be. Again, I think that's going to be an evolving conversation between now and close, and then once we close the deal. But, but no unexpected surprises in terms of the cost structure for this business.

I think we are going to make some more investments like we talked about. So, investing in CapEx for new equipment, both to support the growth that we want to drive in that business as well as just to refresh and modernize. I think we really want to kind of the care and feeding of that business and make some investments there. And so, that is our expectation, but that's in line with what we said in February. So, all on track there. The customer feedback I've heard from ourselves and others has been positive so far. But maybe, Rajesh, you want to comment a little bit on customer feedback?

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

A

Yeah. So, first, before I do that, I'll just add that as you point out, we're getting about a 150-odd people, mostly engineers in development centers. So, I think there's a clear need to invest in some more engineering. There are some marketing people, there are some sales FAEs. But I think we see a clear need to invest significantly more than has been in the past, which is natural because we're pretty much focused on this business. But obviously, those investments have been comprehended in the previous guidance, certainly when we announced the deal and we feel pretty good about it. So, no surprises there.

On the customer side equally, we've had some customers conversations which are, I would say, almost universally positive. People see SiTime as again, focus helps the fact that we have a significantly large portfolio of products in a space that customers of that timing business are not used to, which is the oscillator business. Recall that they are complementary. The oscillators from SiTime, which make up a bulk of our business versus the clocking business which comes from the Renesas timing division.

So, I think customers universally see that as complementary business and no changes there. The other thing I must add is that we see positive responses from the team that's coming across, which is also good to see because we do really value the team, and we want to and we see its value from past years that they've added in the business part of it. So, all in all, going well. Looking forward to closing this deal out.

Gary Mobley

Analyst, Loop Capital Markets LLC

Q

Okay. Thank you for that. I hate to be the one to nitpick after such a strong quarter and guide, but looking at your mobile IoT and consumer business and your largest customer, it looks like both were down slightly on a year-on-year basis. Is that a reflection of the market or anything purposeful, perhaps against maybe some supply constraints? Any color there would be helpful.

Elizabeth Howe

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

A

Hey, Gary, this is Beth. Sure. So, if we look at our mobile consumer business, really the customers in that sector continue to be very large, in some cases, hundreds of billions of dollars in revenue on their own. These are all very large customers. And so, \$1 million or \$2 million here or there between quarters really isn't an indication of anything other than timing of shipments. Also, recall that a year ago, our large consumer customer was when they launched the new modem. And so, the timing a year ago also plays into that a little bit. But again, I think it's a \$1 million or so dollars in a very, kind of customers with very large revenue. So, I wouldn't read much into it.

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

A

And just to add a little bit more to that, we see no messages there. It's pretty typical for that kind of business to be slower in this part and would be particularly strong in the second half. In general, we think that our businesses fire at different times. And that is the strength of the company, that diversity of the fact that they can be stronger in different quarters is actually part of what I think adds value to the SiTime business. We're very satisfied with it.

Gary Mobley

Analyst, Loop Capital Markets LLC

Q

Thank you.

Operator: Thank you. Our next question comes from the line of Jim Schneider from Goldman Sachs. Jim, your line is now open.

James Edward Schneider

Analyst, Goldman Sachs & Co. LLC

Q

Good afternoon. Thanks for taking my question. Rajesh, you mentioned a number of things driving the upside, whether that be increased traction to customers you didn't already have a strong relationship with before, as well as 1.6T networking and just an increased intensity in content for inference. If you were sort of, I know it may be hard to disaggregate those, but if you were to have to disaggregate them, which would you say of those factors is the strongest driver of the upside?

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

A

You rightly pointed out. I think it's really difficult to do that. I think the CED business, the AI business, the AI part, recall that it's communications enterprise and data center. The data center part, all of it is doing really, really well. It's really hard to pull them apart. But I also wanted to indicate that communications and hence the conversation on the telecom piece is doing well. As I noted earlier, the mobile IoT in consumer is somewhat cyclical inside the year and it'll do well in the year, very well even in the year. It's just that it's little bit slower in the first quarter as it normally is. And then the military, aerospace, defense, automotive, and industrial is the sort of the strong middle, which keeps everything going at a sort of a steady pace.

So, all of these businesses are doing very well, according to the world outside, according to macro events or all of that. We see no issues around supply chain, in particular. I know some people have said that in the past, other semiconductor companies. So, we want to be very clear about that. We see strength in our supply chain, and we don't see any fundamental issues or macro issues or external issues that can trip us up as of now.

James Edward Schneider

Analyst, Goldman Sachs & Co. LLC

Q

That's helpful. And then maybe one for Beth. Clearly, you're going to be at model in Q2. Going forward from there, philosophically, how are you thinking about the OpEx trajectory for the business? Would you, with the increased revenue and gross margins, maybe allow the model to sort of float higher with more earnings fall through? Or, are there are specific R&D projects you want to focus on that would kind of keep us pinned to this sort of 30% op margin level? Thank you.

Elizabeth Howe

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

A

Thanks, Jim. As we look at our investments, we do want to invest for growth. And I think even as we were re-accelerating our op margins and building back to these levels, we were still investing. And as Rajesh was talking about, I think we see a lot of opportunities to adjust, to address more salespeople and FAEs to go after more of these opportunities, to continue to invest in engineering, to be able to build more products faster. So, we're going to continue to invest in the business. And in fact, if anything, maybe want to invest a little bit more. If I think about over the last two years, two-and-a-half years, we've invested well under that kind of 50% of revenue growth mark. And so, as we look forward, we definitely want to make sure that we are capturing the growth and investing appropriately to go drive that. I think discipline will remain our MO, but investing for growth is clearly the priority.

James Edward Schneider

Analyst, Goldman Sachs & Co. LLC

Q

Thank you.

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

A

And, and at the rates of growth that we're talking about, we indicated upward around 80% or more. I mean, it's kind of gets hard to spend some of the money even if you want to. And a bunch of it is going to be spent on hiring more engineers, more businesspeople, more support people. But we are quite careful in how we do that, both in the speed at which we do it, but also in the quality and the dedication of finding the dedicated employees that we truly want to be leaders in the company.

Elizabeth Howe

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

A

And maybe said another way, there's still operating leverage in the model, and we expect to continue to drive that operating leverage. And at the same time, we want to make sure we're investing so that we can drive those opportunities.

James Edward Schneider

Analyst, Goldman Sachs & Co. LLC

Q

Thank you.

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

Yeah. Thanks, Beth. Clear as always.

A

Operator: Our next question comes from the line of Suji Desilva from ROTH Capital. Suji, your line is now open.

Suji Desilva

Analyst, ROTH Capital Partners LLC

Hi, Rajesh. Hi, Beth. Congratulations on the progress. So, I wanted to double-click on your strength in CD and optical modules. Maybe you can help us distinguish, Rajesh, which customers adopted earlier than others more aggressively? And in this particular instance of the 10, 12, 15 and 20 rather, what was the some jumped in earlier? I'm just curious here.

Q

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

Well, now when we go back earlier to this, we're talking two years ago, earlier, it was clear to many of the people at the 800 level that they couldn't find enough product: A, to satisfy their demand.,this is in the oscillators, and B, they couldn't find the quality, the reliability and the performance that was needed. While the performance was always about better phase noise, and better, I'm sorry, better jitter and better stability. It was also about finding the quality and the reliability of the product.

A

So, that happened with the higher volume guys coming out of Asia, as you know. But that trend has continued in the United States with the suppliers. And I think it's a kind of a worldwide trend for us as we get to 1.6T and we're one of the few people that has both the performance characteristics and the ability to ramp up quickly with high quality, high reliability to the upsides that are seen between the business.

Suji Desilva

Analyst, ROTH Capital Partners LLC

Got it. Thanks, Rajesh. And then a quick follow-up on this. I think you might have started to answer this, but with the strength in the optical module, you could imagine this is a rising tide lifts all boats. But I'm wondering, is there also a situation where your precision products versus what's in the market are creating kind of have and have-nots, particularly as you get to something like 1.6T, where you become something people need to have to be competitive? I'd be curious if that's a factor here versus really just strength overall in demand?

Q

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

Yeah. I think there is strength overall in demand, Suji. And I certainly believe from a very parochial point of view that SiTime enables a level of performance that is not possible. But I shouldn't overstate it either, because there are credible suppliers even at the 1.6T level. I think it's just that combination of performance, high reliability and resilience and the supply chain that in the end, people keep on coming back to.

A

Now recall that SiTime's prices are higher because we sell at a premium for all those reasons. And so, we are continuing to be always sharing our business with most other suppliers in quartz oscillators, in particular in the optical module market. But we are very comfortable with that because we know that when it comes to support for these customers, SiTime is very strongly positioned. So. all in all, I think we're very happy with where we are.

Suji Desilva

Analyst, ROTH Capital Partners LLC

Appreciate the balanced insight there, Rajesh. Thanks.

Q

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

Thank you.

A

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

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

Well, thank you. I am again deeply satisfied with where we are. We got to where, in our financial model, much quicker, stronger than we ever thought. But I'm very, very happy about that. I'm also very happy that our precision timing category -- creating a category in the semiconductors of products is really hard to do because there are so many good people that play in this business. But that SiTime has done that successfully since IPO. I think it's a great testament to all the hard work that our team puts in, and I'm deeply proud of where we are today because of the work they do. So, I leave you with that thought and basically say we're looking forward to upcoming quarters and we expect to talk to you all soon. Thank you so much.

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

Rajesh Vashist

Chairman & Chief Executive Officer, SiTime Corp.

Thank you.

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