

**Qnity Electronics, Inc.**  
**Fourth Quarter and Full Year 2025 Earnings Script**

**Nahla Azmy, VP IR**

Thank you. Good morning, everyone and welcome to Qnity's fourth quarter and full year 2025 earnings call.

I'm joined by Jon Kemp, Qnity's Chief Executive Officer and Mike Goss, Qnity's Interim Chief Financial Officer. Earlier today, we issued our earnings release, along with a supplemental slide presentation which can be found on [ir.qnityelectronics.com](http://ir.qnityelectronics.com).

Before we begin, I would like to remind you that today's discussion will include some forward-looking statements. These statements represent our best view of predictions and expectations for the future, but numerous risks and uncertainties may cause actual results to differ. Please refer to our earnings release and SEC filings for a discussion of these risks. We will also be discussing certain non-GAAP financial measures, and I refer you to our earnings materials for information regarding our non-GAAP financial measures and reconciliations to the most directly comparable GAAP measure.

It is now my pleasure to turn it over to Jon.

**Jon Kemp, CEO**

Thank you for joining us this morning for our first earnings call as a standalone public company.

When we launched Qnity late last year, we detailed our focus on establishing ourselves as the premier technology solutions provider across the semiconductor value chain. That means being the partner of choice to customers at every stage, from chip fabrication to advanced packaging and interconnects to thermal management. And, it means understanding where the market is going, so that we can stay one-step ahead, delivering more innovative and integrated solutions to address our customers' most complex challenges.

As the industry continues to rapidly evolve, we're proving that the next leap in AI and other advanced technologies will be powered by materials innovation – and that's where Qnity leads. With chip designs becoming more complex, materials that smooth, shape, connect and protect are paramount. As the leading pure-play provider of integrated solutions for the semiconductor value chain, this dynamic creates powerful near- and long-term growth drivers for Qnity.

We're leveraging three core structural advantages to capitalize on these demand tailwinds. First, the unparalleled breadth and depth of our portfolio enable us to offer end-to-end solutions to our customers. Second, our innovation capabilities have earned us a seat at the design table with global technology companies. And third, our local-for-local approach with manufacturing facilities and R&D centers located close to customers wherever they operate.

**Financial Results Review**

Turning our attention to last year's financial results, our fourth quarter and full year 2025 performance is a testament to the strength of our portfolio, the trust our customers place in us, and our ability to execute on our value creation strategy.

We delivered our seventh consecutive quarter of strong organic growth, and we outperformed the market, exceeding our full year 2025 financial objectives. We grew organic sales by 10%, including strong growth in both operating segments. Reflecting a full year of standalone public company costs, Pro Forma Adjusted Operating EBITDA was up 11% year-over-year with strong margins.

In our Semiconductor Technologies segment, we grew organic sales 8% in 2025, driven mostly by strong demand for semi fab consumables. AI and high-performance computing-led demand drove double-digit sales growth in advanced nodes and advanced packaging, and we benefitted from ongoing improvement in mature nodes and NAND.

Our Interconnect Solutions segment had an exceptional year, growing organic sales 12%, led by continued AI and data center tailwinds. Our core drivers in this segment continue to be advanced packaging, advanced interconnects, and thermal management.

### **Innovation Strategy and Portfolio**

Across the portfolio, our innovation engine remains at the heart of our growth strategy. In chip fabrication, our customers require improved performance, quality, and yield. That's because even small gains in quality or yield can create huge value. We're continuing to execute our strategy to increasingly shift our portfolio to leading-edge technologies. In 2025, our advanced logic and high bandwidth memory business grew mid-teens and we made further progress toward reaching the 45-50% advanced node exposure target we highlighted at our Investor Day.

Our CMP portfolio is evidence of that strategy at work – it's a structurally growing opportunity that's directly linked to advancing the AI semiconductor roadmap. In October, we introduced our Emblem CMP pad platform – a breakthrough innovation that set a new standard for pad design, defect control, and performance. These new pads address the aggressive planarization requirements of the most advanced chips, including N3 and N2 logic and HBM3 and 4 memory. The feedback from customers has been outstanding and the platform's external recognition underscores the differentiated value we're bringing to the market.

Similarly, we're continuing to see strong growth from our CMP advanced cleans and slurries products across leading edge logic and memory devices. By targeting specialized formulations, we're building on our leadership in CMP and extending our position in this critical manufacturing process, securing new wins across both front-end chip fabrication and advanced packaging.

As you can see, our innovation approach is driven by listening to our customers, building on decades of experience as a partner of choice to leading fabs and OEMs, pushing the boundaries of what's possible, and investing in the kind of collaborative innovation that moves the industry forward.

As we continue to roll out new solutions, our process of record... or POR wins, are building meaningful, long-term momentum. These wins are tied to high growth opportunities aligned directly with our customers' technology roadmaps, and in 2025 we secured POR wins... across every single line of business. These wins represent early design selections that typically scale into commercial production over the next two to three years, positioning our technology to be embedded in future generations of semiconductors and other advanced electronics.

This only deepens our level of partnership and expands our content with leading players in the semiconductor value chain and gives us even greater visibility into future sales growth and conviction that our strategy is working.

Our top priority is creating additional high value opportunities to progress alongside customer roadmaps, and we're committed to making the R&D and manufacturing capacity investments necessary to support the strong advanced-node ramp activity we expect in 2026 and beyond.

### **Industry and End Markets Overview**

Given this surge in activity, I'd like to share some more details on what we're currently seeing in each of our segments and how we expect our end markets to evolve in 2026.

In Semi, customers continue to invest in their most advanced technologies. In advanced logic, this includes the continued scaling of 3 nanometer and early production of 2 nanometer.

In memory, we're seeing next generation DRAM and HBM as well as transitions to higher layer count NAND architectures. We remain ideally positioned to capitalize on this shift through both the increased use of more complex 3D structures and the adoption of more chip layers, giving us a stable, repeatable revenue stream as production volumes increase.

In ICS, advanced packaging continues to be a core theme of every recent customer conversation because of the central role it plays in unlocking next generation technologies – including increasing chip density and performance, while also reducing power consumption, facilitating development of smaller, more efficient devices.

One of the reasons Qnity is so well positioned to capture meaningful growth in Advanced Packaging is because it integrates solutions from both Semi and ICS. In 2025, advanced packaging solutions represented approximately 10% of Qnity net sales.

From an end market perspective, our portfolio continues to evolve based on more durable structural demand shifts. Data centers are where we're seeing the most benefit from these dynamics. However, we're also seeing continued signs of increasing content and demand recovery in other industrial markets like automotive, communication infrastructure, and aerospace & defense. As these end markets start to incorporate more advanced AI-driven technology into applications, we expect meaningful opportunities to continue increasing Qnity's content.

On the consumer side, next generation devices are increasingly shifting towards edge computing, meaning on-device generative AI, which is also requiring greater content opportunities for us.

The significant demand for AI and high-performance computing workloads is creating additional pressure on the global memory market. We continue to watch for signs of potential downstream impacts into end-market demand. The key here is that our exposure is primarily to premium devices, which we expect to be a more resilient part of the market.

I also want to mention some of the trends we're seeing on the ground floor, namely the ongoing improvement in fab utilization rates. In advanced logic, we expect utilization to increase from the high 70s at year-end 2025 to low-to-mid 80s in 2026, while mature logic will continue improving towards the mid-to-high 70s. In memory, we expect DRAM fab utilization to increase from mid-

80s in 2025 to high-80s while NAND utilization is expected to reach the upper-70s or low 80s in 2026.

With strong utilization rates and accelerating capacity expansions, more than ever customers are prioritizing supply security. We've spent the past several years making strategic investments in capacity and capabilities across our network to support growth in advanced logic and memory as well as advanced packaging and thermal materials. Our local-for-local model and recent expansions throughout Asia and the United States position Qnity to capture additional content and share while ensuring long-term strategic relevance.

### **Transformation Program**

Before turning the call over to Mike, I'd like to touch on the multi-year transformation plan we're also announcing today, which is expected to deliver approximately \$100M in EBITDA run-rate benefit by the end of 2028.

This plan, which Mike will step through in more detail, reflects our commitment to continuous improvement and ensuring Qnity remains well positioned to lead in the markets we serve across the semiconductor value chain. It's all about driving future growth and profitability by simplifying our operating structure, increasing quality and efficiency, unlocking innovation capacity, and concentrating our efforts on high-potential markets and customers.

With that, I will turn it over to our interim CFO Mike Goss to discuss our financial results and 2026 guidance. Mike brings deep experience and knowledge of the business, having served as Qnity's Chief Accounting Officer and FP&A leader. I've known Mike for many years and we've been fortunate that he was able to jump right in. Mike?

### **Mike Goss, Interim CFO**

Thanks, Jon. And good morning, everyone.

### **Fourth Quarter and Full Year Results**

We had a strong finish to the year, with fourth quarter net sales of \$1.2 billion, up 8% year-over-year as we continued to capitalize on key growth drivers— namely, advanced nodes, advanced packaging and interconnects, as well as thermal management solutions.

We delivered this strong performance, even as \$40 million of sales shifted from the fourth quarter to the third, due to our spin-related transition, as discussed on our last call.

Adjusted pro forma operating EBITDA was \$349 million and adjusted pro forma EPS for the fourth quarter was \$0.82.

For the full year, we grew net sales by 10% to \$4.75 billion and achieved adjusted pro forma operating EBITDA of \$1.4 billion, resulting in adjusted pro forma operating EBITDA margin of 29.5%. Margins reflect segment mix dynamics, as the strong growth in ICS influenced our overall margin profile.

Adjusted pro forma EPS for the full year was \$3.35, equating to a 12% year-over-year increase, including adjustments for amortization expense and other non-recurring items.

## Segment Review

Let me provide a little more detail on how each business segment performed this year.

In Semi, we delivered net sales of \$2.65 billion with organic growth of 8%, led by double-digit growth from semi-fab consumables, including CMP pads, cleans and slurries, and Lithography as we benefited from stronger fab utilization and increased content. Our adjusted pro forma operating EBITDA margin was just above 35%, as strong growth was partially offset by product mix and strategic growth investments.

In Interconnect Solutions, we delivered net sales of \$2.1 billion with organic growth of 12%, led by advanced packaging, advanced interconnects, and thermal management - all of which increased more than 20% for the year as we scaled up several exciting wins at leading fabs and OEMs. As a reminder, these are the fastest growing solutions in our ICS portfolio, which led to significant operating leverage for the year. Segment adjusted pro forma operating EBITDA margin was just over 25%, as strong growth more than offset strategic investments, driving margin expansion of over 175 basis points year over year.

## Financial Profile and Capital Allocation Review

For the full year, we generated \$706 million of adjusted pro forma free cash flow, equating to 15% of net sales, reflecting strong operating performance, disciplined execution, and favorable working capital following the spin. At year end, our total cash balance was over \$900 million. This healthy cash position enhances our overall financial flexibility, enabling us to fund strategic investments, and maintain a balanced, returns-focused capital allocation framework.

At our Investor Day last fall, we outlined a clear and comprehensive set of capital allocation priorities. Our first priority will always be organic reinvestment into the business to sustain above-market growth. We anticipate elevating CAPEX investment in 2026 to 9% of net sales, driven by investments to strengthen our local-for-local footprint in key geographies and our transformation initiatives.

Consistent with our mid-term financial objectives, we expect CAPEX to return to our normal run rate of roughly 6% of net sales in future years. As Jon highlighted, the industry is continuing to see advanced-node ramp activity in 2026, supported by substantial global investment. Over the last three years, we've added new capacity in all of our Semi businesses, and we will continue to invest in growth to keep pace with the industry.

Importantly, as these near-term investments moderate, and CAPEX returns to our normalized run-rate, we expect free cash flow margins to be in the mid-teens as a percentage of net sales.

With our strong financial position, we have the optionality to explore selective, accretive M&A. The industry is growing rapidly and we view acquisitions as a compelling use of capital to bolster our trajectory. We're actively pursuing a robust pipeline that would further enhance our portfolio and we'll remain disciplined in evaluating any potential transactions.

We're also committed to capital returns. In December, we declared our first quarter dividend. In addition, today, we announced that our Board of Directors approved a \$500 million share repurchase authorization. This program is designed to provide flexibility for opportunistic purchases depending on market conditions.

Finally, we have the option to voluntarily pay down debt to continue strengthening our balance sheet. We ended the year with net leverage of approximately 2.2x, well below our long-term target of less than 3x.

### **Transformation Program Overview**

I'd now like to share some additional details on our transformation plan, which we expect to further improve our growth potential and financial strength.

Our actions will focus on three key areas:

- First, **commercial & innovation excellence** to enhance speed and sales effectiveness, deepen our foothold with customers on the cutting-edge of technology, and continue spurring innovation within our powerful R&D engine.
- Second, driving **productivity and quality improvements** across the company through operational automation and tailored AI applications. This work will be further enabled by our ongoing IT systems independence effort.
- Finally, **strengthening our local-for-local operating model** by streamlining our supply chain, simplifying our legal entity structure, and optimizing our footprint to more effectively leverage our scale.

We expect these combined actions to deliver approximately \$100M in EBITDA run-rate benefit by the end of 2028, with approximately \$140 million in costs to achieve over the next 2 to 3 years. We will pursue long-term, structural investments, executing against the three key areas during the early phases of the program, resulting in a majority of these one-time costs occurring in 2026 and 2027.

### **2026 Guidance**

Now I'd like to talk about our financial guidance for 2026.

Overall, our strong financial performance in 2025 positions us to enter the year with solid momentum. Looking ahead, our competitive advantages and consistent execution give us confidence in our ability to continue driving growth as we capitalize on the demand trends we're seeing across end markets fueled by AI, high performance computing and advanced connectivity.

MSI wafer start data remains a good indicator for Qnity's overall demand, and we continue to expect MSI to grow by approximately mid-single digits this year.

For full year 2026 we expect:

- Net sales to be in the range of \$4.97 to \$5.17 billion
- Adjusted Operating EBITDA to be in the range of \$1.465 to \$1.575 billion
- Adjusted EPS to be in the range of \$3.55 to \$3.95, and
- Adjusted free cash flow to be in the range of \$450 to \$550 million.

Looking ahead at the first quarter, momentum from AI-led demand continues across high performance computing and advanced connectivity with notable strength in the ICS segment.

Overall, we expect sequential net sales growth of high single digits with a similar margin profile to the fourth quarter.

Our team continues to be focused on keeping pace with customer demand and delivering solutions for the most advanced technologies.

With that, let me turn it back over to Jon for his final thoughts before we begin the Q&A.

**Jon Kemp, CEO**

Thanks, Mike. I'd like to briefly recap a few takeaways from today's discussion.

First, we sustained our strong organic growth momentum in 2025 and delivered on each of our financial objectives for the year. Our newly introduced full year 2026 guidance reflects our conviction that we can continue building on this momentum.

Second, we've established ourselves as a partner of choice to customers in the semiconductor value chain, and we are relentlessly focused on investing in cutting-edge innovation and capacity to create high value growth opportunities alongside our customers.

Finally, as we look ahead, we're taking decisive steps to create even more value for shareholders including our transformation plan and share repurchase authorization, providing avenues to increase returns.

In short, our team is focused on delivering on our strategic priorities. We have strong confidence in the strength of our platform and our ability to capitalize on the opportunities ahead.

Thank you again for joining. Operator, we can now open the line for Q&A.

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