

## **Qnity Electronics, Inc.**

### **First Quarter 2026 Earnings Script**

#### **Meg Miller, Vice President, Global Communications**

Thank you and welcome to our first quarter 2026 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 our Investor Relations website.

Before we begin, I'd 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'll also be discussing certain non-GAAP financial measures, and I encourage you to read our earnings materials for information regarding our non-GAAP financial measures and reconciliations to the most directly comparable GAAP measure.

And now, it's my pleasure to turn it over to Jon.

#### **Jon Kemp, Chief Executive Officer**

Thank you for joining us this morning.

Our strong performance this quarter demonstrates how Qnity creates value:

- First, through a powerful integrated portfolio
- Second, a differentiated ability to innovate alongside our customers' roadmaps
- and third, leadership in advanced materials that are foundational to the exponential growth in AI and emerging technologies.

For decades, Moore's Law has been the driving force behind technological advancement in the semiconductor industry. Innovation meant "shrink": smaller transistors and higher density to improve performance and power.

Now, those gains are increasingly constrained by physical limits. Shrink built the last era. Stack will define the next. That means even while shrink remains important, we're moving from 2D designs to 3D architectures, stacking chips to unlock the next frontier of computing. That shift – from flat to vertical – elevates the importance of materials, integration, and reliability, and ultimately, redefines where value, and leadership, are created.

This inflection plays directly to Qnity's strengths and how our business segments work together to "power" the stack. In Semiconductor Technologies, customers rely on our materials to smooth, shape, and precisely engineer surfaces at the wafer and device level—this is the foundation of performance, yield, and reliability.

As AI investments accelerate, stacking creates increasingly complex advanced packages and systems – with a multiplier in both process steps and material intensity for every additional layer. And the challenge shifts from individual steps at the chip level to managing integration at scale. That's where our Interconnect Solutions business segment builds on Semi's work, addressing system-level constraints like power efficiency, heat management, signal integrity, and long-term reliability...all while capturing more content as stacks grow taller.

Together, Qnity brings these strengths into one differentiated platform, helping customers build, scale, and operate next-generation computing platforms.

With these unique capabilities, supported by our local-for-local model that keeps us closely connected to customers around the world, Qnity is well-positioned as the partner of choice for many of the industry's leading fabricators and OEMs pioneering next-generation technologies. This advantaged position reinforces our confidence in delivering sustainable, long-term value for our shareholders.

### **Financial Results Review**

That long-term confidence is reflected in our near-term execution. Let's turn to our first quarter results, where we delivered our eighth consecutive quarter of strong, profitable organic growth.

Organic sales increased by 17% versus 2025 with double-digit growth across both segments. Adjusted operating EBITDA increased by 22%, and adjusted earnings per share grew by 33%.

These results clearly reflect the ongoing momentum from AI-exposed end markets and next-generation technologies along with our ability to drive strong operating leverage.

In Semi, we grew organic sales 12% year-over-year driven mostly by advanced nodes, led by advanced logic and high-bandwidth memory.

We also benefitted from ongoing improvements in mature nodes and NAND. Across the board, fab utilization rates continue to improve in line with our expectations.

As wafer mix continues to shift toward the leading edge with more advanced nodes, we're well-positioned for continued growth driven primarily by increasing content

per wafer. Higher node complexity brings more CMP process steps, incremental demand for our most advanced cleans, and requires increasingly intricate lithography patterning.

Volumes at 3-nanometer continue to scale and we're starting to see meaningful activity at 2-nanometer. Beyond this, we're increasingly excited about angstrom-era nodes like 16, 14, and 10, which is the primary focus of our R&D engagement with customers and keeps us tightly aligned to their roadmaps.

In ICS, we had an exceptional quarter with organic sales growing 22% year-over-year driven by content and share gains in advanced packaging and interconnects, and thermal management.

Advanced packaging is expected to be a core growth driver for years to come as the move from shrink to stack accelerates. As I mentioned earlier, more sophisticated architectures means larger package sizes, higher layer counts, and more Qnity content in every device.

In advanced interconnects, we're winning new business with AI PCB fabs for the leading hyperscalers and premium smartphone OEMs where signal integrity and reliability requirements continue to rise. As data center demand accelerates, managing heat is a critical objective. Our industry-leading thermal management portfolio is designed to remove heat across the entire system, supporting increasing content and higher device performance.

### **Innovation Strategy and Portfolio**

Our growth momentum is a testament to the depth of our customer relationships and the strength of our innovation engine. We're in a strong Process of Record, or POR, position across both segments due to the investments we're making in R&D and innovation, giving us visibility into our growth potential over the next few years.

Built on decades of partnership, we've earned our customers' trust – and with it comes a clear mandate to innovate and to move fast because in this industry, that's what it takes to win.

During the quarter, we underscored that trust through several key announcements, including a new collaboration with NVIDIA focused on advancing materials research and development for next-gen AI, high-performance computing, and advanced packaging. By combining our materials expertise with NVIDIA's modeling and simulation capabilities, we're working to accelerate development and improve manufacturing capabilities. That same commitment to collaboration and execution is reflected in our

inclusion in Apple's American Manufacturing Program, recognizing our role as a long-term, trusted partner.

To support customer roadmaps and supply ramps for the most advanced chips, we continued to execute our capital allocation strategy to further bolster manufacturing capacity and strengthen our local-for-local operating model. In the U.S., we expanded our footprint with the March opening of a 385,000-square-foot facility in Delaware, and in Taiwan we announced a new, state-of-the-art site with advanced production, clean rooms, warehousing, and R&D labs scheduled to be fully operational in early 2027. These investments significantly expand our manufacturing capacity for critical CMP materials, strengthen our operational agility, ensure global and regional capacity, and advance collaborative innovation with customers.

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

Before I hand things over to Mike, I want to touch on end-market demand and the broader macro environment. Customers remain highly focused on supply chain resilience at a time when wafer capacity remains tight.

As customers allocate capacity to the highest-value applications, our portfolio mix is increasingly moving beyond consumer electronics to attractive, high-value applications like data centers, autonomous driving, and aerospace and defense. And, while there's been considerable attention on the impact of memory pricing on demand for devices like smartphones and PCs, our results this quarter demonstrate we aren't seeing a material impact for two important reasons.

- First, our exposure is primarily to premium devices which tend to be more resilient.
- And second, AI-led infrastructure growth is more than offsetting any softness in consumer electronics. Whether chips are going to data centers, satellites, or smartphones, we're well-positioned to pick up that demand given the depth and breadth of our portfolio.

With that, I'll turn it over to our Interim CFO, Mike Goss, to discuss our financial results and provide an update on our full year guidance.

### **Mike Goss, Interim Chief Financial Officer**

Thanks, Jon, and good morning, everyone. We had an excellent start to the year with first quarter net sales of \$1.3 billion, up 18% year-over-year and 11% sequentially. On an organic basis, sales improved 17% versus the same period last year.

Adjusted operating EBITDA was \$411 million, up 22% year-over-year. Adjusted operating EBITDA margin expanded more than 125 basis points versus the same period last year to 31.3%. Adjusted earnings per share for the quarter increased 33% to \$1.08.

This was a record quarter for Qnity, driven by continued momentum in our AI-linked businesses and strong execution by our team. We're very pleased with the performance which reflects a combination of strong volumes, operating leverage, and favorable mix.

### **Segment Review**

Let me provide a bit more detail on how each business segment performed during the quarter.

Semiconductor Technologies performed in line with our expectations with net sales of \$722 million with year-over-year organic sales growth of 12% led by demand for advanced logic and HBM chips. We saw broad-based strength across several product lines, with particularly strong gains in CMP consumables. First quarter was strengthened by \$20 million of inventory restocking, particularly in mature nodes, following customers' careful inventory management in the fourth quarter. This pattern was similar to what we observed in the first quarter of 2025.

Our adjusted operating EBITDA margin in the segment was 36.4%, up 130 basis points sequentially from the fourth quarter driven by improved manufacturing efficiencies and favorable product mix.

In Interconnect Solutions, impressive execution delivered net sales of \$593 million with organic growth of 22% led again by advanced packaging and interconnects, and thermal management. Sales in these core areas grew more than 50% year-over-year as we capitalized on demand tailwinds from data centers and benefitted from ramps on shorter-cycle POR wins from last year.

Adjusted operating EBITDA margin for ICS was 28.5%, an improvement of 280 basis points sequentially. This was driven by strong operating leverage on higher volumes and favorable mix.

In line with our expectations for the quarter, we generated adjusted free cash flow of \$28 million. This reflects strong operating cash flow partially offset by annual variable compensation. Capital expenditures were reflective of our capacity expansion efforts, which included about one-third of our \$61.5 million investment in the new Taiwan facility.

### **Financial Profile and Capital Allocation Review**

Our overall balance sheet remains strong and we're committed to maintaining a returns-focused capital allocation framework.

As a reminder, our first priority is to reinvest organically in the business to sustain above-market growth. We continue to anticipate elevated CapEx investment for the full year at approximately 9% of sales, driven by investments that strengthen our local-for-local footprint in key geographies and support our transformation initiatives. Over the longer term we expect capex to be in the 6% of net sales range.

We also remain committed to returning capital to our shareholders through our quarterly dividend, and during the quarter we repurchased \$25 million worth of shares to offset normal equity dilution.

We're well-positioned from a liquidity perspective with approximately \$850 million in cash and short-term investments at the end of the first quarter. Total debt outstanding is \$4 billion with a net debt leverage of 2.2x. We maintain balance sheet flexibility to focus on the areas that add value in the long term.

### **Transformation Program Overview**

Our transformation plan announced last quarter is underway and tracking to plan. We have workstreams dedicated to three focus areas: driving productivity and quality improvements, strengthening commercial and innovation excellence, and advancing our local-for-local operating model.

We continue to expect these actions to deliver approximately \$100 million in EBITDA run rate benefit by the end of 2028.

Separately, our transformation is further supported by our continued progress on IT separation. This parallel effort is well underway as we continue to make steady progress on TSA exits across our digital infrastructure.

### **2026 Guidance**

Turning to guidance, building on our strong first quarter financial results, we expect a normal seasonal increase in the second quarter with sequential Net Sales growth in the mid-single digits, supported by strong demand trends, including continued momentum for AI driven applications, high-performance computing, and advanced connectivity.

More specifically, in Semiconductor Technologies, we expect sequential Net Sales to be roughly flat with a margin profile in the mid-30s. For ICS, we expect sequential Net Sales growth in the high single digits range with margins in the mid to high 20s.

From a mix perspective, across both segments, we continue to see end-market strength similar to the first quarter combined with the normal seasonal increase in consumer electronics. In addition, we're also making incremental investments to support strong customer ramps we're seeing.

Additionally, considering the ongoing conflict in the Middle East, we're taking a prudent approach to planning while continuing to strengthen our portfolio position to meet customer needs.

We're seeing modest upward pressure in certain raw materials, energy, and logistics costs. To mitigate these impacts, we're leveraging our local-for-local operating model, working closely with a diversified supplier base across regions, and adjusting inventory levels for critical materials. Based on what we see today, we don't expect any near-term operational disruption. Where we are seeing incremental increases in input or logistics costs, we're taking targeted pricing actions to pass those through in a disciplined manner.

The external environment remains dynamic and we are continuing to monitor how things evolve. Today, overall demand signals remain strong and customer conversations are constructive. With this in mind, we're raising our full year guidance to reflect the strength we realized in the first quarter and our forecast for the remainder of 2026.

- Our guide incorporates our expectations of MSI wafer start growth to be mid single digits to high single digits, increasing from our previous expectation of MSD. This underscores our confidence in the underlying demand signals we're seeing. Net sales is now expected to be \$5.225B to \$5.375B, a 5% increase at the midpoint.
- We assumed geopolitical inflation headwinds for some raw materials and logistics costs of approximately \$20 million for the remainder of 2026 based on current conditions but expect to largely offset these through pricing actions with some timing variability.
- Adjusted operating EBITDA is now expected to be \$1.535B to \$1.625B, a 4% increase at the midpoint.
- Adjusted EPS is now expected to be \$3.80 to \$4.14, a 6% increase at the midpoint.
- And finally, adjusted free cash flow is now expected to be \$500M to \$600M, a 10% increase at the midpoint.

Overall, we expect double-digit net sales and EBITDA growth year-over-year. As we move through the year, we're maintaining a disciplined and measured approach in the second

half—balancing execution with visibility, customer alignment, and flexibility to support long-term value creation.

Jon, back to you.

**Jon Kemp, CEO**

Thanks Mike. Before we open the call for Q&A, I want to underscore a few things as we mark 6 months as an independent company:

First, we're pleased with our progress executing our growth strategy – delivering meaningful innovation to solve our customers' toughest challenges, scaling our platforms in step with their growth, and allocating capital to the highest-return opportunities.

We're excited by the traction we're seeing as our strategy translates into differentiated offerings, increasing demand, and solid performance. Strategy points the way forward, but culture is what drives results. Qnity's team is aligned on the goal, focused on getting things done, and committed to the outcomes.

We're looking forward to executing against this path with discipline and focus, driving durable growth and long-term value for our investors.

That wraps up my remarks, Operator, let's open the call for Q&A.

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