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M31 Technology Q2 2026 Earnings Call Q&A Full Transcript
Speaker: Scott Chang, CEO

Q1: Could management share its outlook for 2027, including revenue growth, gross margin, operating expenses, and overall profitability?

A: Before discussing 2027, our immediate priority remains achieving our revenue targets for the second half of 2026. Looking ahead, royalties will be the company's most important growth driver. We expect new royalty contributions from both advanced and mature process technologies, supported by a diverse mix of foundry and fabless customers.
Regarding R&D headcount and development expenses, the company will remain disciplined in cost control. As royalties account for a larger percentage of revenue, we will be able to allocate resources more efficiently for customer needs and new projects. If royalty growth and cost discipline continue as expected, both revenue and profitability should improve further next year.
In addition, advanced-node IP, high-end consumer electronics, automotive, AI/HPC, and high-performance SerDes solutions will remain key strategic focus areas in 2027.
Overall, we expect royalty growth to begin generating stronger returns from the investments made over the past several years.

Q2: What were the main reasons behind the weaker-than-expected Q2 performance, and what is management's view on revenue visibility and long-term growth prospects? What are the biggest challenges for the second half of the year?

A: The primary bottleneck in the first half was slower-than-expected progress in converting opportunities into new project engagements. While we have a large number of projects under discussion, the timeframe from negotiation to contract signing has become noticeably longer, resulting in delayed revenue recognition.
We have observed slower decision-making among customers in North America, Europe, Japan, and Korea. However, we believe demand has not disappeared; rather, projects have been pushed out, creating an opportunity for catch-up in the second half.
From a medium- to long-term perspective, we continue to increase the proportion of royalty revenue. Our goal is to raise royalties from the current low-teen percentage range to around 20%, and potentially exceed 20% next year. As our royalty business continues to scale, future revenue growth should become less dependent on

expanding R&D headcount. This would improve operating leverage and support a more profitable business model over time.

Q3: Given the weaker first-half performance, does the company still maintain its full-year growth guidance? How will management improve forecasting accuracy?

A: Yes, we are maintaining our full-year growth target.
Having achieved roughly 40% of our annual target in the first half, delivering the remaining 60% in the second half is our top operational priority.
We acknowledge that there is room for improvement in narrowing the gap between our forecasts and actual results. Going forward, we will further strengthen communication with customers, improve demand visibility, optimize internal processes and shorten the conversion cycle from project definition to contract signing.

Q4: Can you provide an update on licensing projects?

A: After several years of investment and preparation, we expect to begin participating in the most advanced process platform of Taiwan's leading foundry during the second half of this year. We have already completed the qualification process and expect to start signing new agreements beginning in the third quarter.
In addition to expanding business with existing customers, we continue to deepen our collaboration with major foundries and aim to participate in more projects as customers migrate to leading-edge process technologies. Management believes that both A14- and 2nm-related opportunities could begin to emerge during the second half. In addition, our IP portfolio covering nodes from 3nm to 8nm is becoming increasingly complete and should remain an important source of licensing revenue through the second half of this year and into next year.

Q5: What is the status of projects below the 7nm node? Will there be a meaningful shift in the number of new project engagements between the first and second halves of 2026?

A: Sub-7nm technologies have become our most important strategic focus. More than 80% of our R&D projects are now concentrated on advanced process technologies, and we expect advanced-node revenue mix to continue increasing.
However, moving into advanced nodes does not necessarily mean a larger number of projects. As development costs rise significantly at advanced nodes, customers typically launch fewer projects than they would at mature nodes. Our focus is not on increasing project volume but rather on increasing project value, with each engagement

generating substantially higher revenue than in the past.

Q6: What are the company's plans for advanced process technologies, and how are you addressing rising development costs?

A: Advanced-node development remains our primary R&D focus.
We will continue to prioritize products with clear customer demand and commercial potential.
As development costs rise, commercial value becomes just as important as technological capability. The ability to successfully sell an IP product is now a key criterion for investment decisions.
We are also placing greater emphasis on product quality and reliability. Defects in advanced-node products carry significantly higher costs and risks than before, making quality assurance and validation critical priorities.

Q7: What has been the contribution of 2nm and 3nm royalties this year? Have there been any new tape-outs for 2nm projects?

A: Advanced-node royalty income increased meaningfully during the first half, primarily driven by 3nm projects that have begun contributing royalty revenue.
For 2nm projects, we are aware that customers have completed tape-outs, and we are now monitoring progress toward mass production. If schedules proceed smoothly, royalty contributions from 2nm projects could begin as early as the fourth quarter of this year or the first quarter of next year.

Q8: What is the current status of automotive and autonomous driving projects in China?

A: We have established a solid footprint in China's automotive market, including applications such as video transmission and autonomous driving systems.
Several customers using M31 IP are progressing smoothly on first-generation chips built on N6, N5, and 4nm platforms, and demand continues to increase.
Many customers have already begun planning feature enhancements and follow-on products after completing their initial designs. These developments should create additional project opportunities going forward.
Management remains optimistic about the China automotive market and aims to further expand its customer base.

Q9: TSMC's advanced-node revenue mix is approaching 80%. Why hasn't M31's royalty revenue grown at the same pace?

A: First, we would like to clarify that the nearly 80% figure does not imply that M31 has achieved a similar level of penetration within TSMC's advanced-node ecosystem.
While our cooperation with TSMC has steadily advanced from 12nm and 6nm to 4nm nodes, there remains substantial room to expand our penetration across TSMC's broader customer base.
Our goal is to increase royalty revenue through broader adoption of M31 IP among more customers. At this stage, the key objective is ensuring that every customer utilizing our IP generates sustainable royalty contributions over time.

Q10: What is your view on Onsemi's acquisition of Synaptics' business, and what impact could it have on M31?

A: Both Onsemi and Synaptics are customers of M31, and Synaptics has been one of our important North American customers since the early stages of our market expansion.
At present, the acquisition has not affected our existing relationships, and ongoing collaborations remain unchanged.
If the transaction leads to additional IP adoption or new development opportunities, we would welcome the opportunity to participate.

Q11: Investors are interested in M31's future collaboration plans with ASPEED Technology. Could you share management's outlook on the partnership going forward?

A: ASPEED has long been one of M31's most important partners.
Since 2017, we have worked together on a number of products, including BMC solutions and Cupola 3D Camera applications, with M31 IP incorporated into these platforms.
Strong working relationships have been built between both management and engineering teams over the years. Therefore, we were honored to have ASPEED participate in our recent private placement.
Going forward, both companies will continue focusing on server-related products and semiconductor collaboration. M31 will provide more customized IP solutions based on ASPEED's needs.
Through these server-related engagements, we also hope to access new customers that were previously difficult to reach, while leveraging ASPEED's industry resources and customer relationships to strengthen engagement with major U.S. customers.

Q12: M31 previously mentioned a comprehensive Edge AI IP strategy. Could management provide an update on the company's opportunities in Data Center, optical communications, and potential collaborations with leading Korean memory companies on advanced-node technologies?

A: In addition to Edge AI, we are actively expanding into Data Center and optical communications markets.
A key development during the first half was our continued investment in high-speed SerDes technologies, including PCIe Gen5, Gen6, and Gen7. We also aim to develop 112G SerDes capabilities to support optical networking and Co-Packaged Optics (CPO) applications.
On the customer side, a leading Korean memory manufacturer has already adopted M31 products, and we see opportunities for deeper cooperation.
We also continue investing resources in U.S.-based advanced-node customers and seek to improve our penetration across both mature and advanced process technologies. We hope to share additional progress during the second half.

Q13: Could management provide an update on advanced-node projects with U.S. customers and the latest developments in North American CSP-related opportunities?

A: Projects involving leading-edge process technologies typically involve longer decision-making and evaluation cycles, particularly among U.S. customers.
Based on the current status of our discussions, we expect to sign a new next-generation project agreement during the third quarter.
Regarding CSP-related opportunities, we continue to engage with relevant customers while leveraging relationships established through our Design Service partners. These partners maintain close ties with major cloud service providers, helping us strengthen our access to and engagement with CSP customers.
We will provide updates as meaningful progress develops.

Q14: How is M31 performing in the ASIC market?

A: We do not distinguish between ASIC design service providers and fabless customers.
From M31's perspective, any organization requiring IP solutions represents a potential customer, regardless of whether it is a design service company or an independent semiconductor designer.
We already maintain long-standing relationships with Taiwan's leading ASIC houses. One of our future priorities is extending our IP footprint into major U.S.-based chip design service companies.

Last year, we began our first project with a North American customer, and discussions are currently underway regarding a potential new 3nm project.

Q15: Could AI inference chips adopt M31's SRAM IP, or do customers typically design SRAM in-house?

A: M31 maintains a highly capable SRAM development team and primarily develops products through partnerships with foundries.

As demand grows for AI inference chips and advanced-node technologies, we have indeed received increasing requests for customized high-performance SRAM solutions.

Whether for 2nm, 3nm, or even more advanced nodes, we intend to continue investing in SRAM development and pursuing additional design wins.

Should further progress be achieved, we will update the market accordingly.