Himax Technologies Inc. Q1 2026 Earnings Call Edited Transcript
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Participants

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Karen Tiao	Himax Technologies, Inc. – Head of IR/PR
Donnie Teng	Nomura Securities

Operator

Hello, ladies and gentlemen. Welcome to Himax Technologies Inc. First Quarter 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session, and instructions will follow at that time. As a reminder, this conference call is being recorded. I would now like to turn the conference over to Miss Karen Tiao, Head of IR/PR at Himax.

Karen Tiao - Himax Technologies, Inc. - Head of IR/PR

Welcome everyone. My name is Karen Tiao, Head of IR/PR at Himax. Joining me today are Jordan Wu, President and Chief Executive Officer, and Jessica Pan, Chief Financial Officer. After the Company's prepared comments, we have allocated time for questions in a Q&A session. If you have not yet received a copy of today's results release, please email hx_ir@himax.com.tw or HIMX@mzgroup.us or download a copy from Himax's website.

Before we begin the formal remarks, I'd like to remind everyone that some of the statements in this conference call, including statements regarding expected future financial results and industry growth, are forward-looking statements that involve a number of risks and uncertainties that could cause actual events or results to differ materially from those described in this conference call. A list of risk factors can be found in the Company's latest SEC filings, form 20-F in the section entitled "Risk Factors", as may be amended.

Except for the Company's full year of 2025 financials, which were provided in the Company's 20-F and filed with the SEC on March 27, 2026, the financial information included in this conference call is unaudited and consolidated and prepared in accordance with IFRS accounting. Such financial information is generated internally

and has not been subjected to the same review and scrutiny, and may vary materially from the audited consolidated financial information for the same period.

On today's call, I will first review the Himax consolidated financial performance for the first quarter 2026, followed by our second quarter outlook. Jordan will then give an update on the status of our business, after which we will take questions. You can submit your questions online through the webcast or by phone. We will review our financials on an IFRS basis.

Despite the typical seasonal slowdown during the Lunar New Year holidays, we are pleased to report that our Q1 profit exceeded the guidance range announced on February 12, 2026, while both revenue and gross margin were at the high end of the projected range.

First quarter revenues registered $199.0 million, representing a slight sequential decline of 2.0%, reaching the high end of our guidance range of a decline of 2.0% to 6.0%. Gross margin was 30.4%, also at the high end of our guidance of flat to slightly down from 30.4% in the previous quarter. Q1 profit per diluted ADS was 4.6 cents, exceeding the guidance range of 2.0 to 4.0 cents.

Revenue from large display drivers came in at $24.2 million, representing an increase of 11.7% from the previous quarter, outperforming our guidance range of a single-digit increase sequentially. This was primarily driven by better-than-expected restocking of high-end TV ICs by a leading panel maker. Sales of large panel driver ICs accounted for 12.2% of total revenues for the quarter, compared to 10.7% last quarter and 11.6% a year ago.

Revenue from the small and medium-sized display driver segment totaled $135.8 million, reflecting a slight decline of 2.4% sequentially amid a typical low season. In line with guidance, Q1 automotive driver sales, including both traditional DDIC and TDDI, declined double digits sequentially, reflecting Lunar New Year seasonality, customers' inventory control following two consecutive quarters of restocking, and the tapering of automotive subsidy programs in major markets including China and the US. In contrast, revenues for smartphone, covering both LCD and OLED products, increased sequentially primarily due to new OLED solutions that began mass production with a top-tier panel maker for a leading smartphone brand's mainstream model. Q1 tablet IC sales also increased sequentially, driven by renewed demand for mainstream models from leading customers following several quarters of softness, as

well as the commencement of IC shipments for a customer's new premium OLED tablet. The small and medium-sized driver IC segment accounted for 68.2% of total sales for the quarter, compared to 68.5% in the previous quarter and 70.0% a year ago.

Q1 non-driver sales reached $39.0 million, a 7.7% decrease from the previous quarter, reflecting a decline in ASIC Tcon shipments to a leading projector customer, along with a moderation in automotive Tcon shipments following several quarters of solid growth. However, underlying demand for automotive Tcon business remains robust, supported by a strong pipeline of hundreds of design-win projects poised to enter mass production in the coming quarters. Non-driver products accounted for 19.6% of total revenues, as compared to 20.8% in the previous quarter and 18.4% a year ago.

First quarter operating expenses were $50.3 million, a decrease of 8.4% from the previous quarter but an increase of 9.9% compared to the same period last year. Both the quarter-over-quarter and year-over-year changes were primarily driven by differences in tape-out expenses, reflecting the timing of major project tape-outs. The year-over-year increase was also attributable to salary expenses and the appreciation of the NT dollar against the U.S. dollar. Against a backdrop of ongoing macroeconomic challenges, we continue to maintain strict cost and expense discipline, while strategically investing in selected non-driver IC areas with compelling growth potential, some of which are poised to ramp meaningfully starting in 2027.

First quarter operating profit was $10.2 million, representing an operating margin of 5.1%, compared to 3.4% in the previous quarter and 9.2% for the same period last year. The sequential increase was the result of lower operating expenses. The year-over-year decline reflected the lower sales and gross margin, coupled with higher operating expenses. First-quarter after-tax profit was $8.0 million, or 4.6 cents per diluted ADS, compared to $6.3 million, or 3.6 cents per diluted ADS last quarter, and down from $20.0 million, or 11.4 cents in the same period last year.

Turning to the balance sheet, we had $287.6 million of cash, cash equivalents and other financial assets as of March 31, 2026. This compares to $281.0 million at the same time last year and $286.2 million a quarter ago. As of March 31, 2026, we had $27.0 million in long-term unsecured loans, with $6.0 million being the current portion.

Our quarter-end inventories as of March 31, 2026 were $151.7 million, slightly lower than $152.7 million last quarter but higher than $129.9 million the same period last year. Having maintained lean inventory levels in prior years, we made a strategic

decision about a year ago to selectively loosen inventory control in response to an industry-wide shift toward tight supply. Accounts receivable at the end of March 2026 was $190.9 million, down from $200.9 million last quarter and $217.5 million a year ago. DSO was 86 days at the quarter end, as compared to 88 days last quarter and 91 days a year ago. First quarter capital expenditures were $2.9 million, versus $4.0 million last quarter and $5.2 million a year ago. First quarter capex was mainly for R&D-related equipment for our IC design business.

Prior to today's call, we announced an annual cash dividend of 25.2 cents per ADS, totaling $44 million and payable on July 10, 2026, with a payout ratio of 100% of the previous year's profit. The high payout ratio reflects our healthy balance sheet and positive outlook for cashflow generation over the next few years. For business areas where we have in-house manufacturing capacity such as WLO and LCoS, existing capacity is in place to support the strong growth anticipated for the next few years. Himax will continue to focus on maintaining a healthy balance sheet and driving sustainable long-term growth, while delivering shareholder value through high dividends and share repurchases.

As of March 31, 2026, Himax had 174.4 million ADS outstanding, unchanged from last quarter. On a fully diluted basis, the total number of ADS outstanding for the first quarter was 174.4 million.

Now, turning to our second quarter 2026 guidance. We expect Q2 revenues to increase 10.0% to 13.0% sequentially. Gross margin is expected to be around 32%, mainly reflecting a more favorable product mix, with increased sales from higher-margin non-driver products and reduced sales from lower-margin products. Q2 profit attributable to shareholders is estimated to be in the range of 8.6 to 10.3 cents per fully diluted ADS.

I will now turn the call over to Jordan to discuss our Q2 outlook. Jordan, the floor is yours.

Jordan Wu - Himax Technologies, Inc. - Co-Founder, President & CEO

Thank you, Karen. The rapid rise in AI demand is placing unprecedented strain on memory chip supply, impacting many non-AI applications. This, in turn, has led to capacity tightness across foundry, packaging, and testing in mature process nodes where we are anchored, putting upward pressure on our cost structure. Rising gold

prices have further compounded these cost pressures. With cost pressure expected to persist, we are actively working with customers on pricing adjustments to share rising costs, with some price increases already taking effect in Q2.

Market conditions remain dynamic, compounded by ongoing geopolitical tensions, and the market's visibility remains limited on both consumer electronics and automotive for the second half of the year. That said, as indicated in our last earnings call, the first quarter marked the trough with the second quarter recovery tracking as anticipated, primarily driven by customer inventory restocking. We expect upward momentum through the remainder of 2026, supported by a meaningful number of new automotive projects scheduled to enter mass production in the second half, a view consistent with our outlook from last quarter's call. The positive outlook is also supported by the anticipated growth in our non-driver IC businesses, particularly Tcon and WiseEye AI.

In our display IC business for automotive, we remain confident in our long-term growth prospects, as automotive is an area relatively insulated from memory price impact compared to consumer electronics products such as smartphone and notebook. The long-term positive outlook is underpinned by our leading technology portfolio, broad and diversified customer base, strong design-win pipeline across DDIC and TDDI, and substantial lead over competitors. Our display IC portfolio spans a comprehensive range of solutions which enable novel and stylish automotive displays. Such technologies include automotive Tcon with advanced local dimming functionality, LTDI for ultra-large displays, advanced Tcon solutions for state-of-the-art head-up displays, as well as automotive OLED and Micro LED technologies. Customer adoption of these advanced display technologies continues to accelerate across new vehicle models, driving higher content value per vehicle for us and creating new growth momentum for Himax's automotive display IC business in the years ahead.

Despite ongoing macro uncertainty, Himax continues to expand beyond its traditional display IC business, focusing on key growth areas including smart glasses, ultralow power AI and CPO. These emerging technologies present significant growth opportunities that help diversify our revenue base into areas with attractive gross margin profiles and profitability while also strengthening our overall competitiveness.

Starting with smart glasses, a key strategic focus area we are quite optimistic about. Himax is uniquely positioned as one of the few companies with both ultralow power AI capabilities and microdisplay, both critical for smart glasses. WiseEye provides

ultralow power always-on AI sensing capabilities, targeting a broad range of smart glasses, while our LCoS microdisplay solutions enable display functionality critical for AR glasses with see-through displays. We are pleased to share that a leading brand has adopted our WiseEye for its smart glasses, with mass production expected later this year and additional prominent brands are expected to follow.

In microdisplays for AR glasses, built on the debut of our proprietary Front-lit LCoS microdisplay at Display Week last year, Himax returned to Display Week 2026 with a new-generation upgrade that significantly enhances contrast, dynamic range, and optical efficiency. These advances, driven by Himax's proprietary technologies, deliver a substantial increase in contrast performance while effectively eliminating the "postcard effect" commonly seen for microdisplays in dark environments. Himax's Front-lit LCoS solution offers an optimal balance among weight, size, resolution, image quality, power consumption, and cost, positioning it as a compelling choice for AR glasses.

For both WiseEye and LCoS microdisplay, supported by expanding customer engagements across technology heavyweights and smart glasses specialists globally, we are increasingly optimistic about the new space, even compared to just a few quarters ago. We expect revenues from AI and AR glasses applications to grow substantially over the next few years.

Now, I would like to provide a brief update on our progress in CPO. Together with FOCI, our strategic partner, we continue to make steady progress on both the Gen 1 and Gen 2 products as planned. Our Gen 1 solution, supporting 1.6T and 3.2T transmission bandwidth, is now ready with small quantity shipments expected to commence in the second half of this year. Meanwhile, our Gen 2 solution, targeting 6.4T bandwidth with significant volume potential, is nearing completion of customer product validation for AI data center applications. Building on this momentum, our main goal for 2026 is to achieve mass-production readiness, with only limited shipments expected during the year, followed by an accelerating volume ramp starting 2027.

At the same time, in close partnership with FOCI, we continue to advance multiple future-generation high-speed optical transmission technologies and CPO architectures in collaboration with leading global customers and partners, focusing on higher fiber channels, more advanced optical designs, and enhanced optical precision to meet the explosive bandwidth demands of HPC and AI data center applications.

In early March, FOCI completed a NT$3.16 billion rights issue to support R&D, equipment purchases and preparations for CPO mass production. Himax, already a shareholder through two earlier tranches of share offerings in 2023 and 2024, participated in the rights issue, which not only demonstrates our continued support for our partner and further strengthens collaboration between the two companies, but also underscores that advancing CPO technology requires highly integrated efforts through close collaboration and joint development. With an average acquisition cost of NT$120.6 per share, our equity stake, representing 5.36% of FOCI, now totals NT$4.96 billion (US$156 million) as of May 7 when the market closed at NT$815 per share.

As a reminder, our FOCI investment has been booked as a “financial asset measured at fair value through other comprehensive income” on the balance sheet since day one of investment. As such, based on accounting rules, FOCI’s share price fluctuations are recognized in our books as “accumulated other comprehensive income”, a balance sheet item under owners’ equity and do not affect our profit and loss. Likewise, upon disposal, any resulting gain or loss will be recognized only on the balance sheet through change of retained earnings and, again, will have no impact on the profit and loss. This accounting treatment we chose underscores our long-term commitment to the FOCI investment. We expect CPO to become a major revenue and profit contributor in the years ahead.

With that, I will now begin with an update on the large panel driver IC business. In Q2, large display driver IC sales are expected to decrease by high-teens quarter-over-quarter, attributable to customers pulling forward their inventory purchases for TV applications in prior quarters. In contrast, both monitor and notebook IC products are poised for sequential increases due to higher legacy product shipments to key customers.

Looking ahead to the notebook market, our focus is on premium models featuring OLED displays and LCD displays with touch functionality. We offer a full spectrum of IC solutions for both LCD and OLED notebooks, including DDIC, Tcon, touch controller, and TDDI, enabling us to provide customers with a comprehensive one-stop solution while increasing our content per device. We continue to see strong design-in momentum particularly in OLED for notebooks, where rising memory prices are depressing lower-end demand and accelerating the shift to premium segments. The scheduled ramp-up of new Gen 8.6 OLED fabs later this year and in 2027 in China adds another tailwind, further driving higher OLED adoption in notebooks.

Turning to the small and medium-sized display driver IC business. In Q2, small and medium-sized display driver IC business is expected to increase high-teens from last quarter. Q2 automotive driver IC sales, including TDDI and traditional DDIC, are set to increase by double digit quarter-over-quarter. Both DDIC and TDDI sales are expected to increase sequentially, driven mainly by broad-based replenishment from panel customers with lean inventories, as well as the ramp-up of new TDDI and DDIC projects for a leading panel customer.

Despite global softness in automotive sales, our long-term competitive position remains solid, supported by hundreds of design wins already secured across TDDI, DDIC, Tcon, and an expanding OLED portfolio. In addition, Himax is deepening its well-established supply chain in Taiwan while expanding across China, Singapore, Japan, Korea and Malaysia. This ensures production flexibility and cost competitiveness, while also addressing customers' geopolitical considerations. We continue to lead the global automotive display market with a 40% share in DDIC, well over half in TDDI, and an even higher market share in local dimming Tcon.

We also continue to lead in automotive display IC innovation, pioneering solutions across a wide range of panel types while addressing diverse design requirements and cost considerations. Recent evidence of such efforts is our LTDI technology for ultra-large touch displays where multiple projects have entered mass production in several car brands across different continents. After years of engagement with customers globally, we expect meaningful revenue contributions from LTDI starting this year. Our integrated single-chip solution combining TDDI and local dimming Tcon represents another such innovation. Targeting smaller and lower resolution automotive touch displays, it delivers a compelling option for cost- and space-constrained applications without compromising performance. Design-in activities continue to expand globally, with multiple projects underway across leading panel customers, Tier 1s and OEMs.

Looking ahead, the accelerating adoption of OLED displays in automotive creates significant opportunities for Himax. Our ASIC OLED DDIC and Tcon solutions have already been in mass production for several years, with continued customer adoption. We now also offer new standard DDIC and Tcon products to support scalable deployment. In parallel, collaborations are underway with leading panel makers on new custom ASICs, positioning us well to address diverse customer requirements across a wide range of automotive display applications. Together, these efforts position Himax to capture increasing semiconductor content as premium automotive displays evolve from LCD to OLED.

In addition, Himax's advanced OLED touch ICs are a key pillar of our automotive OLED portfolio, delivering industry-leading signal-to-noise performance and high-precision multi-finger touch capability, enabling reliable operation even when wearing thick gloves or with wet fingers. Our OLED touch ICs started mass production in 2024. Since then, they have been increasingly adopted by leading panel makers and end customers across Korea, China, the U.S., and Europe. Multiple new projects are poised to enter mass production in the coming quarters.

Moving to smartphone IC sales, we expect Q2 smartphone revenue, covering both LCD and OLED products, to decrease quarter over quarter following the initial ramp up of an OLED IC for a leading smartphone brand's mainstream model in the prior quarter. For tablet ICs, Q2 sales are expected to increase sequentially, driven by customers' early pull-in demand against the backdrop of rising memory price sentiment in the market, with ongoing shipments for a customer's premium OLED tablet also contributing to sequential growth.

I'd like to now turn to our non-driver IC business update where we expect Q2 revenue to increase by double-digit sequentially.

First for an update on our Tcon business. We anticipate Q2 Tcon sales to increase by double-digit quarter over quarter. Our automotive Tcon business is expected to deliver decent double-digit growth in Q2, driven by shipments from prior design-wins across the board. Despite automotive market headwinds, Himax continues to enjoy strong growth momentum in automotive Tcon. Particularly in solutions featuring local dimming functionality, backed by hundreds of secured design-wins across a broad and diversified customer base, we are well positioned for sustained growth. In Q2, we expect Tcon to account for over 12% of total sales, with more than half contributed by automotive Tcon.

Meanwhile, head-up displays are poised to become an integral part of new-generation smart cockpits, driving demand for sophisticated Tcon technologies, an area where Himax holds a strong leadership position. Our multifunctional Tcon not only delivers excellent contrast, eliminating the "postcard effect" often seen in HUDs, it also supports full-area selectable local de-warping to correct image distortion caused by windshield curvature and/or projection angle. In addition, integrated On-Screen Display function ensures that critical safety information remains visible even when the system is malfunctioning and/or powered down. Together, these features make our Tcon a compelling solution for customers' HUD applications, as evidenced by fast

expanding design-in activities with leading panel makers and Tier 1 players. This growing HUD pipeline positions us well for broader deployment and meaningful revenue contribution starting in 2027.

Switching gears to the WiseEye™ product line, a cutting-edge ultralow power AI sensing total solution, targeting endpoint device markets. WiseEye stands out due to its industry-leading, ultralow power design, operating at merely a few milliwatts, combined with an extremely compact size, on-device AI inferencing, and 24/7 always-on image and voice sensing. This combination enables advanced AI capabilities in endpoint devices that were once constrained by power and size limitations and has already been widely adopted across a wide range of applications, including notebooks, surveillance systems, access control devices, palm vein authentication, smart home solutions, and smart glasses, with further customer engagements currently underway.

On the WiseEye modules front, design-in activities continue to expand, driven by their plug-and-play architecture, combined with ultralow power consumption and on-device AI capabilities. These features help developers accelerate innovation and scale their products from prototypes to commercial deployment. This broad applicability has led to adoption across a wide range of domains, including smart access control, space management, computer monitor, automotive, and bicycle applications. In particular, our PalmVein module is rapidly securing design wins, offering a touchless, high-security solution with high accuracy and advanced liveness detection. Combined with GDPR-compliant architecture, one of the world's strictest data privacy laws, our PalmVein solution ensures robust data privacy and protection of user biometric information through privacy centric on-device processing. We are seeing growing PalmVein module adoption across applications such as smart access control, workforce management, and smart door locks, with multiple projects progressing toward mass production in the coming quarters.

As mentioned earlier, WiseEye is gaining broad market recognition in smart glasses as a compact, ultralow power, always-on perceptual front end. WiseEye supports both outward-facing environmental sensing, mainly object classification and scene understanding, and inward-facing capabilities, including eyeball tracking and iris authentication, delivering environment-aware vision AI and responsive, low-latency human–machine interaction for smart glasses. This combination of capabilities makes WiseEye ideally suited for wearable devices requiring real-time responsiveness with minimal battery impact and is a key factor driving design-in momentum among smart glasses players.

Moving on to our latest advancements in LCoS microdisplay technology. At Display Week 2026 this week in Los Angeles, we showcased our ultra-luminous, high-contrast miniature Dual-Edge Front-lit LCoS microdisplay. We were also invited to deliver an in-depth presentation at the symposium, highlighting Himax's recognized expertise and leadership in LCoS microdisplay technology. Our LCoS solution is a full color microdisplay that integrates illumination optics and LCoS panel into an exceptionally compact form factor of just 0.09 cc and 0.2 grams, delivering up to 350,000 nits of brightness and 1 lumen output at just 200 mW total power consumption. It can also be configured for high-brightness, low-power, green-only mode and frictionlessly switched back upon command from the central processor, allowing for improved power efficiency across different ambient light conditions while supporting customers' cost targets. In addition, its ultra-high luminance ensures excellent visibility in bright environments, while our proprietary technologies significantly enhance contrast and reduce the "postcard effect" frequently observed in low-light conditions.

Himax is currently working closely with multiple waveguide partners across China, Europe, Israel, Japan, Taiwan, and the U.S. to bundle these technologies into display systems for AR glasses, streamlining system integration and driving future design-in opportunities. We will provide further updates in due course.

That concludes my report for this quarter. Thank you for your interest in Himax. We appreciate you joining today's call and are now ready to take questions.

Question-and-Answer Session

Operator

Ladies and gentlemen, we are now in question-and-answer session. You may press *1 on your keypad if you would like to ask a question. Thank you very much. And in addition to submitting questions via your phone, you may also submit your question through the webcast system. Thank you.

Now we will have our first question, Donnie Teng – Nomura Securities. Go ahead, please.

Donnie Teng – Nomura Securities

Thank you, Jordan and Karen, for taking my question. I have two questions.

The first question is regarding the automotive business. I wonder if, Jordan, you can give us a full-year outlook regarding the automotive-related business growth, and also what could be the possible quarterly revenue pattern into the second-half this year? Because it looks like customers still maintain pretty low inventory, so I'm not sure whether it will still be like restocking, destocking on and off for the coming quarters.

And the second question is regarding to the CPO. So you have mentioned about the Gen 1 and Gen 2 products. Wondering if you can share with us the competition landscape for the Gen 1 products and Gen 2 products, are you seeing different competitors? And another thing I'm curious about is the overall optical communication supply chain is facing supply tightness at upstream, like indium phosphide, substrate for lasers, et cetera. Are you seeing other components are facing short supply as well? For example, whether the micro-lens will be under shortage? Thank you.

Jordan Wu – Himax Technologies, Inc. - Co-Founder, President & CEO

Thank you, Donnie. If I may, I'll address your second question first on CPO competition and the potential supply shortage of other components, et cetera.

They are not really our major concerns, to be honest, because for now, once mass production gets started and is successful, what we are seeing is, with the multiple customers we have already in hand. I'm talking about major customers that we really, really focused on, there are actually other customers. They are all very big names, but they are still so-to-speak priorities internally. So with their demand, their potential demand is actually much, much bigger than what we can supply for now.

To be honest, we are not worried about competition. I'm not saying whether they are good or whether they exist; what I'm saying is we just need to focus on our completion of validation and then smoothly enter mass production. Once that happens, customers have put it all right to us that the potential demand in the early stage and that

actually much outweigh what we can supply.

So I think competition, for now, is not really the issue. And I can say the same to answer your question on the potential shortage of other components.

And as I said in the prepared remarks earlier, 2027 is likely to see meaningful top and bottom-line contribution for us. What I like to add is that even before official mass production, early shipments for engineering runs will already have a positive impact on our financials. As as I said earlier, the customer demand much outweighs what we can supply. So once volume shipments get started, the growth will likely be explosive, because the demand are indeed there. And once mass production begins, we believe CPO will deliver the strongest growth among all our product lines, a growth that is likely to sustain for the years to come. So that is my answer to your CPO question.

And on automotive, first for the full-year outlook. Bear in mind we don't actually provide full-year guidance, so I'm not going to give numerical projections. But we can say quite confidently we are well positioned to see sales growth for the year, with improved gross margin compared to last year, that is primarily, among other things, driven by the automotive outlook.

The overall automotive industry outlook, as we all know, remains muted, with most market surveys projecting for a flattish total vehicle shipment year-over-year. However, we believe we will be able to outperform the market like we did last year. And I did say in the prepared remarks that we expect sales for automotive to grow quarter by quarter this year. So that is a response to your question. Yes, the customer's inventory level remains lean. But even that, they seem to historically have a pattern of over-build and under-build and have such a cycle. I cannot predict whether this cycle will repeat this year in the second-half, but our confidence level for quarter-after-quarter growth comes mainly from a few major projects with top customers which are slated for mass production in the second-half, and they are after years of design-in efforts. So we are now also projecting some growth for this year's automotive sales. And again, I think our automotive business is well positioned to beat the market like last year in terms of growth.

Donnie Teng – Nomura Securities

Understood. Thank you, Jordan. And a follow-up on CPO. Are you able to quantify the sales contribution for this year and next year potentially? And I'm also curious, do you require to expand the capacity for the demand coming in 2027, or you will utilize the existing fab first? Thank you.

Jordan Wu – Himax Technologies, Inc. - Co-Founder, President & CEO

We will utilize our existing fabs, which actually, if fully utilized for this application, can already generate hundreds of millions of annual sales for us with a very decent profit.

Our partner, FOCI actually, I cannot comment on their behalf, but they did say in their prospectus issued a few months back, in their recent rights issue, that they do have a plan to continue to expand their capacity. As we all know, part of their purpose for the rights issue recently was to build the capacity for this purpose, for mass production. So, in the prospectus, they did say something, in the light of, given the right conditions, they would certainly continue to expand their capacity. That is what they say in the prospectus, and beyond that I cannot say anything more on their behalf. But what I can say is that our capacity actually outweighs their capacity, so to be honest they have to expand first. But given where they are at the moment, I think we again feel confident that, somehow along the line of mass production progressing, they will solve out that issue as well.

So yes, our existing capacity is more than sufficient, is sufficient to support up to hundreds of millions of annual sales for us. And with that, I'm afraid I am not able to quantify sales contribution for this year or next year or now. This year is still small; they are primarily some sampling and engineering shipments. Quarter-over-quarter good growth, but it comes from a very small base, so from an overall group perspective they are still not meaningful. But next year, as I said, regardless of when mass production will commence, likely even before mass production, the engineering runs will contribute meaningfully to our top-line and especially bottom-line growth.

Donnie Teng – Nomura Securities

Understood. Thank you, Jordan, and congrats on the good guidance.

Jordan Wu – Himax Technologies, Inc. - Co-Founder, President & CEO

Thank you, Donnie.

Operator

Thank you. And we have no further questions at the moment. We thank you for all your questions, and I'll pass the call back to Mr. Jordan Wu. Thank you.

Jordan Wu – Himax Technologies, Inc. - Co-Founder, President & CEO

Thank you, operator. As a final note, Karen Tiao, our Head of IR/PR, will maintain investor marketing activities and continue to attend investor conferences. We will announce the details as they come about. Thank you and have a nice day.

Operator

Thank you, Mr. Wu. Ladies and gentlemen, this concludes the first quarter 2026 earnings conference. You may now disconnect. Thank you again. Goodbye.