



Himax Technologies, Inc. Q2 2026 Unaudited Financials and Investor Update Call

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Himax Speakers: Jordan Wu, President & Chief Executive Officer Karen Tiao, Head of IR/PR Webcast: https://www.zucast.com/webcast/Hp09k4XB	

Operator: Hello, ladies and gentlemen. Welcome to Himax Technologies, Inc. Second 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.

Miss Karen Tiao: 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.

Q2 2026 Results

On today's call, I will first review the Himax consolidated financial performance for the second quarter 2026, followed by our third 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.

The rapid rise in AI demand is placing unprecedented strain on memory chip supply and affecting many non-AI applications, creating a more challenging cost and capacity environment across the industry. Against this backdrop, we are pleased to report that our second quarter revenues, gross margin and profits all exceeded the guidance we provided on May 7, 2026.

Second quarter revenues registered \$227.4 million, representing a sequential increase of 14.2% and up 5.9% compared to the same period last year. Q2 revenues exceeded our guidance range of a

10.0% to 13.0% increase, primarily driven by better-than-expected automotive IC sales. Gross margin was 33.1%, substantially exceeding the guidance of around 32%, up from 30.4% in the previous quarter and 31.2% a year ago. This is primarily due to a more favorable product mix, with increased sales from higher-margin automotive IC products. Q2 profit per diluted ADS was 11.4 cents, significantly exceeding the guidance range of 8.6 to 10.3 cents, up from 4.6 cents in the previous quarter and 9.5 cents a year ago.

Revenue from large display drivers came in at \$19.2 million, representing a decline of 21.0% from the previous quarter, attributable to panel makers pulling forward their inventory purchases for high-end TV ICs in prior quarters. In contrast, sales for both monitor and notebook IC products increased quarter-over-quarter due to higher legacy product shipments to key customers. Sales of large panel driver ICs accounted for 8.4% of total revenues for the quarter, compared to 12.2% last quarter and 11.6% a year ago.

Revenue from the small and medium-sized display driver segment totaled \$162.3 million, reflecting an increase of 19.6% sequentially. Q2 automotive driver sales, including both traditional DDIC and TDDI, increased by double digits quarter over quarter, primarily driven by broad-based customer replenishment of TDDI and DDIC following seasonally lower shipments during the Lunar New Year in Q1. The ramp-up of new TDDI and DDIC projects for a leading panel customer also contributed to the sequential increase. Customers continued to operate under a make-to-order model while maintaining lean inventory levels. Our automotive business, comprising DDIC, TDDI, Tcon, and OLED IC sales, remained the largest revenue contributor in the second quarter, representing well over 50% of total revenues.

Second quarter tablet IC sales, covering both LCD and OLED products, also increased sequentially, attributable to customers' early pull-in demand against the backdrop of rising memory price sentiment

in the market, together with continued shipments for a customer's premium OLED model. In contrast, smartphone IC sales decreased sequentially following the initial ramp up of an OLED IC for a leading smartphone brand's mainstream model in Q1. The small and medium-sized driver IC segment accounted for 71.4% of total sales for the quarter, compared to 68.2% in the previous quarter and 67.3% a year ago.

Q2 non-driver sales reached \$45.9 million, a 17.7% increase from the previous quarter, attributable to robust automotive Tcon shipments, supported by replenishment across a broad customer base. Tcon business accounted for over 10% of total sales, with more than half contributed by automotive Tcon. As the market leader in automotive Tcon, particularly in solutions featuring local dimming functionality, we expect strong growth momentum to continue into next year. Non-driver products accounted for 20.2% of total revenues, as compared to 19.6% in the previous quarter and 21.1% a year ago.

Second quarter operating expenses were \$50.7 million, an increase of 0.8% from the previous quarter and 3.6% compared to the same period last year. The year-over-year increase was mainly attributable to higher tape-out expenses. We remain disciplined in managing costs while continuing to invest strategically in select non-driver IC businesses with compelling long-term growth potential.

Second quarter operating income was \$24.6 million, representing an operating margin of 10.8%, compared to 5.1% in the previous quarter and 8.4% for the same period last year. Both the quarter-over-quarter and year-over-year changes were primarily driven by higher revenues and gross margin. Second-quarter after-tax profit was \$19.9 million, or 11.4 cents per diluted ADS, compared to \$8.0 million, or 4.6 cents per diluted ADS last quarter, and up from \$16.5 million, or 9.5 cents in the same period last year.

Turning to the balance sheet, we had \$298.7 million of cash, cash equivalents and other financial assets as of June 30, 2026. This compares to \$332.8 million at the same time last year and \$287.6 million a quarter ago. The sequential increase was mainly driven by operating cash flow of \$17.5 million in the second quarter. Before moving on, I'd like to highlight one point regarding this quarter's cash flow. As is our usual practice, income tax payments are made in the second quarter. Under a new Taiwan government policy, we are entitled to defer approximately \$11.0 million of these payments for one year without interest. Excluding this deferral, second-quarter operating cash flow would have been approximately \$6.5 million. Looking ahead to Q3, we anticipate a decline in cash, cash equivalents, and other financial assets, primarily due to a payment of \$44 million for annual dividends to shareholders made on July 10. In addition, subject to the final Board decision, we will distribute around \$11.7 million, the immediately vested portion of this year's employee bonus awards, at the end of Q3.

Our quarter-end inventories as of June 30, 2026 were \$151.5 million, about the same as \$151.7 million last quarter but higher than \$134.6 million in the same period last year. After maintaining lean inventory levels for several years, we proactively adjusted our inventory strategy about a year ago, selectively building inventory in anticipation of tightening supply across the industry. Accounts receivable at the end of June was \$220.3 million, up from \$190.9 million last quarter and \$219.0 million a year ago. DSO was 93 days at the quarter end, as compared to 86 days last quarter and 92 days a year ago. Second quarter capital expenditure, primarily for R&D-related equipment for our IC design business, was \$4.3 million, versus \$2.9 million last quarter and \$4.6 million a year ago.

As of June 30, 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 second quarter was 174.4 million.

Investment Portfolio Update

During the quarter, on July 1, we announced the proposed divestiture of investment in one of our equity-method investees. Based on the information provided by the said investee company, we expect to recognize a pre-tax gain of approximately \$23 to \$24 million upon closing. The transaction is expected to close in the fourth quarter of this year subject to customary closing conditions and regulatory approvals. We will provide more updates as appropriate as the transaction progresses.

Q3 2026 Guidance

Now, turning to our third quarter 2026 guidance. We expect Q3 revenues to increase 7% to 11% sequentially. Gross margin is expected to be around 34%, depending on the product mix. Q3 profit attributable to shareholders is estimated to be in the range of 8.0 to 10.0 cents per fully diluted ADS.

As we've done historically, we will grant employees' annual bonus, including RSUs and cash awards, on or around September 30 this year. The third quarter guidance for profit per diluted ADS has taken into account the expected 2026 annual bonus, which, subject to Board approval, is now estimated to be around \$13 million, out of which \$11.7 million will be vested and expensed immediately on the grant date. As a reminder, the total annual bonus amount and the immediately vested portion are our current best estimates only and the actual amounts could vary materially depending on, among other things, our Q4 profit expectations and the final Board decision for the total bonus amount and its vesting scheme. It's also worth noting that the \$13 million expected annual bonus does not include the above-mentioned gain on investment from divestiture of an equity-method investee, as the transaction is pending regulatory approvals and has not yet closed. As is the case for previous years, we expect the annual bonus grant in 2026 to lead to higher third quarter operating expenses compared to the other quarters of the year. In comparison, the annual bonus for 2025 and 2024 were \$7.7 million and \$12.5 million respectively, of which \$7.5 million and \$11.2 million vested immediately.

In providing our Q3 financial guidance, the Q3 expense related to employee bonus is estimated to be \$11.8 million, representing 6.8 cents per diluted ADS before tax, comprised of \$11.7 million of the immediately vested portion of this year's bonus as stated above, and \$0.1 million of the amortized portion of the unvested bonuses from previous years. By comparison, employee bonus expense in each of the last three quarters was around \$0.2 million.

I will now turn the call over to Jordan to discuss our Q3 outlook. Jordan, the floor is yours.

Q3 2026 Outlook

Thank you, Karen. The ongoing surge in AI demand continues to impact non-AI applications. This has rippled across the broader semiconductor supply chain, resulting in capacity constraints at foundry, packaging and testing facilities on the mature process nodes where many of our products are manufactured. Consequently, we are experiencing higher manufacturing and procurement costs, extended lead times, and increased difficulty in securing sufficient capacity across a broad range of our product lines. We expect the supply environment to remain challenging in the near term.

To enhance production flexibility and secure the capacity needed to meet customer needs and support upcoming production ramps, we continue to leverage our established supply chain in Taiwan while further strengthening our presence across China, Singapore, Korea, Japan and Malaysia. In parallel, as we mentioned last quarter, we have been working closely with customers on pricing adjustments to share these increased costs. Some adjustments took effect in the second quarter with additional pricing adjustments possibly implemented over time as market conditions warrant.

Notwithstanding these industry-wide supply constraints, we remain optimistic about the long-term growth prospects of our automotive display IC business. We continue to view automotive as one of the industry's most attractive secular growth markets, driven by rapid advancements in smart vehicle

interiors. This trend is characterized by, among other things, a growing number of displays per vehicle, now averaging more than three and continuing to rise, along with larger, higher-resolution displays and more diverse vehicle cabin configurations, including curved, integrated, multi-display, and pillar-to-pillar designs.

Himax is well positioned to capitalize on these industry trends through our comprehensive automotive display portfolio spanning both LCD and OLED technologies, a broad and diversified global customer base, and a robust design-win pipeline. We further differentiate ourselves by continuously introducing next-generation automotive display technologies, including LTDI solutions for ultra-large displays, advanced Tcon solutions for head-up displays, OLED driver and touch controller ICs and Micro LED display technologies. Our portfolio also includes Knob-on-Display solutions and capacitive physical buttons where customer interest continues to grow, driven in part by regulatory and vehicle safety initiatives in key automotive markets, including China and Europe, where greater emphasis is being placed on intuitive physical controls to enhance driving safety and reduce driver distraction. The industry's ongoing pursuit of richer human-machine interfaces, immersive infotainment, and enhanced in-cabin user experiences is driving the adoption of a broader range of our display technologies. This not only increases Himax's dollar content per vehicle but also creates multiple long-term growth opportunities. In addition, our well-established global supply chain provides us with greater flexibility to navigate the current supply environment while securing the capacity needed to support both existing projects and upcoming production ramps.

We are also seeing an important trend in the automotive industry with automakers introducing new vehicle models at an accelerating pace amid intensifying competition. As a result, product lifecycles are becoming shorter, creating greater pressure to improve engineering efficiency, reduce development costs, and shorten time to market of new car models. These challenges are driving broader adoption of platform standardization across multiple vehicle models, favoring suppliers with

comprehensive and validated technology portfolios and proven track records. Himax is one such supplier, boasting the industry's most compelling automotive display IC offerings, market-leading positions across automotive DDIC, TDDI, and Tcon, and continued leadership in next-generation technologies such as LTDI and OLED technologies. By adopting Himax solutions as part of their standardized platforms, customers can quickly deploy validated display IC products across multiple new vehicle developments, reducing engineering effort, lowering system costs, and shortening development cycle of each project.

In addition to automotive, we are also making solid progress across several strategic growth areas, including smart glasses, ultralow power AI, and CPO. These emerging businesses diversify our revenue base into markets with attractive long-term growth prospects and margin profiles while strengthening our overall competitive position. We believe they are poised to become increasingly meaningful contributors to our future growth.

First, on smart glasses, an area we remain particularly optimistic about. Himax is one of the few companies offering both ultralow power AI sensing and microdisplay technologies, both critical building blocks for next-generation smart glasses. On the AI sensing front, WiseEye enables ultralow power, always-on outward and inward sensing, supporting an expanding range of AI use cases, including contextual awareness, real-time visual assistance, and personalized user experiences. Recently, a leading global brand just launched a smart glasses product powered by our WiseEye technology, and we continue to see strong design-in momentum across customers worldwide. In particular, we are seeing growing engagement with leading global brands, technology platform providers, ODMs, as well as hyperscalers who traditionally do not offer hardware products but are now entering smart glasses market, with some projects poised to enter mass production as we move into 2027.

On the display side, our Front-lit LCoS microdisplay delivers an optimal balance of size, weight, resolution, image quality, power consumption, and cost. It can also be configured to operate in a high-brightness, ultralow power green-only mode and seamlessly switch to full-color operation as needed. This flexibility differentiates our solution from alternative display technologies, letting customers optimize power efficiency while maintaining visual performance and meeting their system design and cost targets. Together, these capabilities make our Front-lit LCoS a compelling display platform for next-generation AR glasses equipped with see-through displays. Currently we are working closely with multiple waveguide partners across Asia, Europe, and North America to deliver integrated AR display solutions that simplify system integration and shorten customers' development cycles. This is driving broader customer engagement and positioning us to convert more opportunities into design wins. Backed by well over a decade of LCoS expertise and a proven track record of successful production shipments, we are well positioned to support the next generation of AR glasses.

Now, I would like to provide a brief update on our progress in CPO. Customer development timelines remain aggressive with demand showing no sign of slowing. Together with our strategic partner, FOCL, we continue to deepen customer engagements by offering a flexible portfolio of solutions, including customized designs tailored specifically for our customers' needs as well as a standardized technology platform developed in collaboration with a leading foundry partner. Our solutions support both co-packaged and pluggable packaging architectures to address diverse customer needs.

Our primary focus for the second half of this year remains on achieving mass production readiness, including key customer qualification milestones, while continuing to improve manufacturing yields and establish stable mass-production capabilities. We have already made encouraging progress toward these objectives. Both our Gen 1 product, supporting 1.6T and 3.2T transmission bandwidths, and Gen 2 product, designed for 6.4T bandwidth, have begun engineering production ramps as scheduled in the third quarter. These products are expected to drive sequential shipment growth quarter over

quarter, laying the foundation for a more meaningful volume shipment beginning in 2027. The official mass-production timing remains subject to customer deployment schedules. Nevertheless, we expect our shipments in 2027 to be significantly higher than in 2026, starting to make meaningful contribution to our financials.

At the same time, we are also co-developing next-generation optical solutions with customers, featuring higher fiber-count architectures, enhanced optical precision, and increasingly sophisticated designs such as CWDM (Coarse Wavelength Division Multiplexing), to address the explosive bandwidth demands of HPC and AI data center applications.

Display Driver

LDDIC Businesses

With that, I will now begin with an update on the large panel driver IC business. In Q3, large display driver IC sales are expected to decline by single digit from last quarter. Monitor IC sales are expected to decline quarter over quarter, as customers already pulled forward inventory purchases in prior quarters. In contrast, TV IC sales are poised for sequential increases, driven by higher legacy product shipments to key customers.

Looking ahead in the notebook market, we are seeing encouraging design-in momentum, particularly in OLED notebooks with several industry trends creating favorable tailwinds. Rising memory prices are accelerating the shift from entry-level to premium notebook models, while the scheduled ramp-up of new Gen 8.6 OLED fabs in China later this year and into 2027 is expected to further drive OLED penetration in the notebook market. Himax is well positioned to capitalize on these favorable industry trends with our comprehensive notebook display OLED IC portfolio, spanning DDIC, Tcon, power management IC and touch controllers. This one-stop offering lets us serve customers with a complete solution while increasing our value content per device.

SMDDIC

Turning to the small and medium-sized display driver IC business. In Q3, small and medium-sized display driver IC business is expected to increase by high-single-digits from last quarter. Q3 automotive driver IC sales, including TDDI and traditional DDIC, are set to increase by a solid double-digit quarter-over quarter. This increase reflects broader customer demand of DDIC and TDDI products, together with the mass production of multiple LTDI projects across car brands worldwide. Strong sequential growth underscores the accelerating adoption of larger and more sophisticated automotive displays, with Chinese automakers leading the charge.

We continue to see healthy underlying customer demand, supported by multiple new projects entering mass production in the coming quarters. We expect our full-year 2026 automotive driver IC sales to grow by double digits from last year with strong growth momentum extending into next year as adoption of smart car interiors continues to drive increases in the number, size, and sophistication of displays in both electric and conventional vehicles.

As I noted earlier, the industry's shift toward platform standardization is creating meaningful opportunities for Himax. This is evidenced by the growing number of customers adopting our industry-pioneering LTDI and local dimming Tcon solutions as the standard platform for their ultra-large automotive displays. Following years of customer engagement, several of these projects are now entering mass production across multiple car brands. These ultra-large display panels typically require four or more LTDI chips, and in some cases more than ten, together with at least one local dimming Tcon per panel. As customers increasingly adopt our solution across multiple ultra-large display platforms, this not only strengthens customer stickiness and makes it more difficult for competitors to compete with us, but also increases our content value on a per-panel and per-vehicle basis.

Looking ahead, the accelerating adoption of OLED displays in automotive presents a compelling long-term growth opportunity and is poised to become a key pillar of our automotive business. For several years, we have been collaborating closely with leading OLED panel makers in Korea and China, and our comprehensive portfolio of DDICs, Tcons, touch controller ICs, and customized ASIC solutions gives customers the flexibility to select the solutions that best meet their specific requirements. This broad product coverage and our early customer engagements have already translated into numerous development programs, providing a solid foundation for future growth as premium automotive displays transition from LCD to OLED.

With OLED adoption on the way, we continue to introduce innovative IC solutions to address evolving customer needs. For example, our latest TED (Tcon Embedded Driver IC) solution, which integrates DDIC and Tcon into a single chip, offers a cost-effective, flexible, and highly integrated solution ideal for smaller, lower-resolution automotive displays. Our TED technology is now being adopted across a diverse range of applications, including automotive, robotics, and IT applications, with several projects involving customized ASIC solutions co-developed with leading global end customers.

Moving to smartphone IC sales, we expect Q3 smartphone revenue to increase quarter over quarter, driven by continued shipments for a leading smartphone brand's mainstream models and inventory build-up for its upcoming premium models. For tablet ICs, Q3 sales are expected to decrease sequentially, as capacity constraints limit our ability to support additional shipments.

Non-Driver Product Categories

I'd like to now turn to our non-driver IC business update where we expect Q3 revenue to increase by low-teens sequentially.

Timing Controller (Tcon)

First for an update on our Tcon business. We anticipate Q3 Tcon sales to increase by low-teens quarter over quarter. Our automotive Tcon business is expected to deliver decent double-digit growth in Q3, extending the strong momentum from Q2 and far outpacing our corporate average. This growth is driven by continued legacy product shipments across a broad, diversified customer base, along with several new projects entering mass production. Despite ongoing industry-wide capacity constraints, we are confident in the strong growth trajectory of our automotive Tcon business. With hundreds of design wins already secured and new design-ins continuing to expand, we are well positioned for another robust growth year in automotive Tcon as we move into 2027.

During the quarter, we were pleased to announce that our T2000 Tcon has been adopted into E Ink's next-generation color ePaper platform. Himax's proprietary parallel-processing architecture is at the core of this ASIC product, enabling simultaneous display refresh and data transmission, significantly enhancing dynamic display performance while preserving the ultralow power advantage of ePaper technology. This breakthrough enables smoother display of dynamic content on large format ePaper displays, helping accelerate the transition from traditional static signage to dynamic applications such as retail advertising, public information displays, and smart commercial environments.

WiseEye™ Ultralow Power AI Sensing

Switching gears to the WiseEye product line, a cutting-edge ultralow power AI sensing total solution, targeting battery-powered endpoint devices. WiseEye differentiates itself with an industry-leading ultralow power architecture, consuming only a few milliwatts while delivering on-device AI inferencing, 24/7 always-on image and voice sensing, and an exceptionally compact form factor. This unique combination enables endpoint AI devices that were previously impractical due to power and size constraints, driving broad adoption across applications including notebooks, surveillance systems, access control, palm vein authentication, smart office, and smart glasses, with design-in activities continuing to expand across leading customers worldwide.

On the WiseEye module front, design-in activities continue to expand, driven by its plug-and-play architecture, ultralow power consumption, and on-device AI capabilities. During the quarter, we were pleased to announce that our WiseEye biometric palm vein modules achieved the verification of TÜV Rheinland, one of the world's leading and most credible independent testing, inspection, and certification organizations. The assessment validated recognition accuracy, response speed and liveness detection. This verification, together with our earlier achievement of GDPR compliance, one of the world's strictest data privacy standards, reinforces the privacy, security, and performance of our biometric authentication solutions, giving customers greater confidence to accelerate deployment across security-sensitive applications. We are seeing expanding design-in activities for our PalmVein modules across smart access, workforce management, smart door locks, and, more recently, computer monitors and smart office solutions.

Built on the same core hardware platform as the WiseEye technology, our WiseGuard module is specifically designed for security applications, delivering ultralow power operation, a wide field of view, long-range detection, and exceptional low-light performance. WiseGuard accurately detects and continuously tracks multiple individuals, including their presence, location, and movement,

substantially reducing the false triggers commonly associated with traditional PIR-based solutions. Its proactive, 24/7 sensing capability enables security systems to detect and continuously track activity from the outset, capturing the full sequence of events rather than only the moment motion is detected, providing a significant advantage over traditional reactive solutions. WiseGuard delivers up to 5 years of battery life while maintaining high-precision detection over long distances, even in environments with illumination as low as 1 lux. Since its debut just six months ago, WiseGuard has seen encouraging customer engagement across a wide range of applications, including surveillance cameras, access control, IoT, and wildlife monitoring. We are also pleased to share that WiseGuard has already been adopted by a U.S. customer for surveillance applications, with mass production scheduled to begin toward the end of this year.

As mentioned earlier, WiseEye is gaining broad market recognition for smart glasses as a compact, ultralow power, always-on AI perception front end. WiseEye supports outward-facing environmental sensing, first through scene understanding by analyzing the user's contextual surroundings and environment, followed by object classification to recognize and identify specific objects typically associated with the identified scene. It also supports inward-facing capabilities, including eyeball tracking for intuitive gaze-based interaction and iris authentication for secure identity verification. Together, these capabilities enable AI glasses to continuously capture visual snapshots of the real world and enable intelligent, responsive, low-latency human-machine interaction while consuming only a few milliwatts of power. With a leading global brand launching WiseEye powered smart glasses this fall, we are seeing growing engagement from platform providers, ODMs, and consumer electronics companies worldwide. Some of these projects are expected to enter mass production in the upcoming quarters.

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.

OPERATOR TO QUEUE QUESTIONS

Jordan's closing remarks

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!