

XPER Q3 2025 Earnings Conference Call Remarks

SLIDE 1

Operator:

Good day, everyone. Thank you for standing by. Welcome to the Xperi Third Quarter 2025 earnings conference call. During today's presentation, all parties will be in a listen-only mode. Following the presentation, the call will be open for questions. I would now like to turn the call over to Sam Levenson from Arbor Advisory Group. Sam, please go ahead.

Sam:

Good afternoon and thank you for joining us as Xperi reports its third quarter 2025 financial results.

With me on today's call are **Jon Kirchner**, chief executive officer, and **Robert Andersen**, chief financial officer. In addition to today's earnings release, there is an earnings presentation on our Investor Relations website at investor.xperi.com. We encourage you to download the presentation and follow along with today's commentary.

SLIDE 2 – Safe Harbor

Before we begin, I would like to provide a few reminders. First, I would like to note that unless otherwise stated, all comparisons are to the same period in the prior year. Second, today's discussion contains forward-looking statements about our anticipated business and financial performance that are predictions,

projections, or other statements about future events, which are based on management's current expectations and beliefs and therefore subject to risks, uncertainties, and changes in circumstances. For more information on the risks and uncertainties that could cause our actual results to differ materially from what we discuss today, please refer to the Risk Factors and MD&A sections in our SEC filings, including our most recent Form 10-K for the year ended December 31, 2024 and our Form 10-Q for the quarter ended September 30, 2025 to be filed with the SEC. Please note that the Company does not intend to update or alter these forward-looking statements to reflect events or circumstances arising after this call.

Third, we refer to certain non-GAAP financial measures which are detailed in the earnings release and accompanied by reconciliations to their most directly comparable GAAP measures, which can be found in the investor relations section of our website.

Last, a replay of this conference call will be available on our website shortly after the conclusion of this call.

I will now turn the call over to Xperi's CEO, Jon Kirchner.

SLIDE 3 - Overview

Jon:

Thank you, Sam, and thank you everyone for joining us on our third quarter 2025 earnings call.

For those new to our story or still learning about our business, I will start this call with a brief overview of the company and our long-term goals.

Xperi is a global software and services company that delivers products through our well-known brands, including TiVo, DTS and HD Radio. Our established and profitable core businesses--which include HD Radio, the digital radio standard in the United States, Pay TV program guides, and audio licensing solutions in home and automotive, have enabled us to build a strategic, connected and synergistic platform for media monetization. We believe media monetization represents a large and attractive market opportunity, and after investment over the past several years, our growth strategies as an independent media platform are reaching an inflection point.

To put that in perspective, it is important to recognize the progress we have made against the ambitious strategic goals we outlined a few years ago. Today, we have either accomplished - or are on a path to realize - each of our strategic goals, which collectively represent a pivot for our business and creates a platform that has significant potential to grow and create long term value.

Now, let me provide an overview of the progress we made during the quarter against this year's goals – progress that continues to give us confidence that we are reaching a key inflection point as a business.

SLIDE 4 – Strategic Progress During Q3 2025

For media platform footprint-- our most critical growth area -- we are extremely pleased with the ongoing partner rollout of our TiVo One CTV advertising platform into the US and European markets. We achieved 30 percent sequential

growth to finish with 4.8 million monthly active users at quarter end. The continued growth of our footprint is instrumental for us to reach larger scale in the US and the larger European countries as we work to expand monetization of the installed base. We also continue to engage new industry partners to help monetize our growing TiVo One user base.

In the Connected Car market, our platform footprint also continued to grow, reaching over 13 million vehicles installed with AutoStage at quarter end. Importantly, as we have now built meaningful scale, we have initiated collaboration with leading audio media companies to monetize this unique and highly valuable footprint.

In our Pay TV business, our Video-over-Broadband subscriber count grew 32 percent year-over-year to reach 3.2 million subscriber households. We signed important renewals with our customers during the quarter that validate the market commitment to our video-over-broadband technologies and services.

SLIDE 5 – Summary Financial Metrics

Turning to our summary financial results for the quarter, we recorded consolidated revenue of 112 million dollars. As expected, revenue was lower than the prior year period, which had included a large minimum guarantee arrangement with Panasonic in our Pay-TV business. In Consumer Electronics and Connected Car markets we achieved year-over-year growth, as planned.

Our non-GAAP adjusted operating expenses decreased approximately 20 percent compared to the prior year. The decrease was due primarily to our continued

focus on cost transformation and from the divestiture of the Perceive business in October of last year.

Our focus on cost transformation, investment alignment, and improving profitability and cash flow generation has been an ongoing effort at the company. Concurrently with today's earnings release, we announced a workforce reduction of 250 employees, spanning the entire business.

For the third quarter, we posted 28 cents of non-GAAP earnings per share, achieved positive operating cash flow of 8 million dollars, and recorded our second consecutive quarter of positive free cash flow at 2 million dollars.

SLIDE 6 – Media Platform

Turning now to the Media Platform business.

I noted earlier that we have reached 4.8 million monthly active users on the TiVo One platform – a key indicator for our business performance and one that continued to increase over the first month of the fourth quarter. Notably, more than 75 percent of this footprint is located in the US and the five largest countries in Europe. Consumer and retailer feedback on TVs with the TiVo OS operating system continues to be very positive, and TVs powered by TiVo are available at a range of sizes and price points. For example, a number of recent retailer promotions in the UK have highlighted aggressive low pricing for TVs that feature TiVo OS, which we expect will further expand our footprint in that market. Also, in addition to Sharp, a second brand partner is in production and expected to deliver TVs powered by TiVo to certain US retailers before year end. We expect US

distribution of Smart TVs Powered by TiVo to scale next year and represent national coverage by the second half of 2026.

We are also pleased to announce our 10th TiVo OS TV partnership with the signing of a European brand for a leading Asia-based Original Device Manufacturer. This further validates the strong OEM interest in our cost effective, built for TV, independent platform across a range of partners. We believe large OEMs without their own operating system, leading retail house brands, and ODM producers all see unique value in being able to brand the experience, retain their first party engagement data, and participate in long term monetization.

Given the significant progress we have made in establishing footprint for our TiVo One advertising platform across many brands, we believe now would be an appropriate time to start reporting another key performance indicator: Average Revenue Per User for TiVo One, or “ARPU”. Our definition for ARPU is consistent with industry practice, and we calculate it by dividing the trailing four quarters of monetization revenue within the Media Platform business by the average number of TiVo One Monthly Active Users during that same period. Our monetization revenue includes all advertising and data monetization revenue from the TiVo One platform and from other parts of our Media Platform business.

Our calculated ARPU for TiVo One at the end of the quarter was \$8.75, which is approaching the \$10 goal we are working toward as we exit 2025, and a metric that, over time, we expect to continue to grow to north of \$20. ARPU growth is not expected to be linear as it is impacted by not only monetization revenue but changes in our underlying footprint and in what quarters more unit growth comes online.

To help further our goal of growing ARPU for TiVo One in the periods ahead, we recently signed multiple monetization partnerships, including agreements with Titan Ads, a CTV industry leader across key EU markets, Kargo, a leading CTV ad reseller in the United States, and Comscore, a US-based media measurement leader.

SLIDE 7 – Connected Car

Moving to Connected Car.

We continued to grow our footprint for DTS AutoStage and had more than 13 million vehicles using this unique platform at quarter end, the vast majority of which are in North America. While this initial footprint is focused primarily on audio and data solutions, we also secured two new video-based AutoStage OEM programs in the quarter, one in Europe and one in Asia.

Over the past two weeks, we announced and launched an updated version of the DTS AutoStage™ Broadcaster Portal, the world's first global, in-car radio audience measurement platform. This gives radio broadcasters insights into listening patterns, allows stations to fine-tune programming in near real-time, and delivers advertisers accurate measurement of the audience engagement across 250 designated market areas. This level of measurement has traditionally only been available on digital streaming platforms and enables radio stations to deliver higher value to advertisers. The technology and scale of the platform has been years in development. We have now initiated commercial discussions around measurement and data licensing with leading broadcasters and media companies to very strong interest across the industry.

Separately, as Autostage has reached significant scale, we also initiated collaboration with leading audio media companies in the US and UK to launch targeted advertising trials on the platform. We expect these ultimate partnerships will form the basis of additional revenue streams for advertising and data.

In terms of HD Radio expansion, several new radio stations went on the air with HD Radio digital broadcasting. New vehicle models were launched by companies such as Audi, Hyundai, Tesla, Mercedes Benz and Lexus during the quarter. Notably, we also signed a significant multi-year HD Radio contract with a large, Asia-based, tier 1 supplier, which is expected to help HD Radio continue to grow with Japanese car brands.

SLIDE 8 – Pay TV

Moving to our Pay-TV business.

In the third quarter, IPTV subscribers increased 32% year-over-year, reaching 3.2 million households. Revenue was up 18% year over year from a mix of subscriber growth in the US and Latin America. We renewed the agreement with NCTC (the National Content and Technology Cooperative), covering over 70 operators in the US. This agreement guarantees IPTV subscriber commitments for 4 more years and encourages operators to launch and scale broadband TV.

During the quarter, we continued to see strong interest from video over broadband operators to extend their video offerings with new, more cost-effective OTT video service bundles. As a result, by quarter end, over 40 operators had committed to our TiVo Broadband product and over 100 thousand households had activated.

We secured a multi-year renewal with Mitchell Seaforth Cable TV (or MSC), a key partnership that impacts multiple operators in Canada and which is expected to drive our continued subscriber growth there.

Lastly, at the beginning of October, we exited the DVR hardware business under the TiVo brand, closing one innovative and industry-changing chapter in the Company's history. The TiVo brand will continue to empower consumers to find, watch and enjoy the content they love on innovative video-over-broadband and Smart TV solutions.

Slide 9 – Consumer Electronics

Let me next cover highlights in our Consumer Electronics business.

During the quarter, we renewed a multi-year contract with Vestel to deploy DTS audio solutions across its TV brands. Vestel is the largest television manufacturer in Europe and an important customer and partner to Xperi given their volumes across many brands.

In our IMAX Enhanced initiative, a partnership with IMAX that brings the signature IMAX experience into the living room, we expanded our contract with Sony Pictures to release hundreds of additional titles in the IMAX Enhanced format coupled with DTS:X immersive audio. These titles will be available for direct distribution through free ad-supported streaming television (FAST). We believe providing free access to the IMAX Enhanced experience offers unique value for consumers and will help our program licensing partners further differentiate their IMAX Enhanced products.

We also expanded the IMAX Enhanced program in the home projector category through new agreements with Optoma and Epson.

SLIDE 10 – 2025 Exit Growth Goals

To wrap up what we've discussed today, our strategic progress is evident against the growth goals we set for the year.

Within Media Platform, we expect to finish the year above 5 million monthly active users on our TiVo One platform. Further, we have achieved our goal of signing two additional partners to reach a total of 10 TiVo OS partners. The ARPU that we announced today of \$8.75 brings us closer to our year-end goal of \$10.00, and importantly, we have made progress in securing advertising partnerships that we expect will enable us to monetize our expanding and valuable footprint.

For Pay TV, we have had considerable success in activating TiVo One through updates in North America on video-over-broadband devices. This effort helps us build scale in the US market to further our monetization efforts. We also achieved our goal of over 3 million subscriber households in our IPTV footprint.

Within Connected Car, we have surpassed 13 million vehicles with AutoStage and expect this large and unique footprint to continue growing as new cars enter the market. Also, we have started collaborations with leading audio media companies in the US and UK to launch targeted advertising trials on the AutoStage platform.

In summary, we are confident this strategic progress sets us up for long-term growth, improved profitability and increased cash flow.

Let me now turn the call over to Robert to discuss our financial results. Robert?

Robert:

Thanks, Jon.

SLIDE 11 – Q3 Revenue Breakdown

I will start by reviewing the revenue results for the quarter.

When excluding the impact of the Perceive divestiture, overall revenue was lower by 20 million dollars compared to last year, as expected, due to a large, multi-year, minimum guarantee agreement with Panasonic recorded in the prior year period.

Looking at each of our primary markets, Pay TV was lower than last year by 32 million, or 39 percent, due primarily to last year's Panasonic agreement. Excluding all minimum guarantee agreements from the prior year period, Pay TV would have decreased, on a percentage basis, in the high single digits, consistent with the overall market.

For IPTV, revenue grew approximately 4 million dollars, or 18 percent, as subscribers continued to grow at a brisk pace, particularly in Latin America.

For the Consumer Electronics market, excluding the impact of the Perceive divestiture, revenue grew by 3 million dollars, or 20 percent, due to a higher level of new agreements this year along with higher revenue on a per-unit basis from audio technologies in game consoles.

In Connected Car, revenue was up by 9 million dollars, or 36 percent, due to a higher level of long-term arrangements in this year's number, including the significant Asia-based program that Jon mentioned earlier.

Revenue in Media Platform was approximately flat on a year over year basis.

SLIDE 12 – Q3 Financial Results

Turning to the income statement, our year-over-year cost of revenue increased by approximately 2 million dollars, driven by higher costs related to long-term arrangements recorded in the quarter. Non-GAAP Adjusted Operating expense decreased by 16 million dollars, or approximately 20 percent, primarily due to reduced personnel expense as a result of our ongoing business transformation efforts, and also from last year's divestiture of Perceive at the beginning of the fourth quarter.

Our Adjusted EBITDA was 23 million dollars, a 21 percent Adjusted EBITDA margin, down from last year's 31 million, as our expense decrease was more than offset by the lower revenue year-over-year.

Our non-GAAP earnings per share was 28 cents, compared to the 51 cents we posted in the third quarter last year.

SLIDE 13 – Balance Sheet and Cash Flow

From a balance sheet perspective, we finished the quarter with 97 million dollars of cash and cash equivalents, up 2 million from last quarter, due to the positive free cash flow of 2 million generated in the quarter. Notably, operating cash flow was approximately 8 million dollars in the quarter, an increase of over 12 million

dollars from the same quarter last year due primarily to the absence this year of transaction costs related to the Perceive divestiture and other restructuring costs that occurred last year.

SLIDE 14 – Outlook

Turning now to our financial outlook, I'd like to cover two topics that are related to our outlook: first, minimum guarantee arrangements with customers, and second, the workforce reduction that we announced today.

Beginning with minimum guarantee arrangements, which, for simplicity, I'll refer to as "MGs".

We enter into MGs with our customers to lock in certainty of value, ensure usage of the technology over multiple years and product cycles, and to lower the company's service cost. As discussed on previous calls, the accounting standard for MGs creates difficult revenue comparisons on a quarterly basis since revenue is required to be recognized when the agreement is signed. The amount of revenue is generally recorded as an unbilled receivable on the balance sheet and cash is collected over the term of the agreement. Arrangements average 3 years in length and cash is received when customers are billed quarterly over the duration.

We have entered into MGs over many years for our audio technologies within Consumer Electronics and have more recently seen customer interest in MGs in Pay TV and Connected Car, as they offer customers benefits in product planning, supply chain management, and pricing. As a percentage of revenue, MGs

comprised just over 20 percent of total revenue in 2024 and are expected to be in the low 20 percent range for 2025.

Importantly, these MGs are term-based arrangements that are typically renewed when the contract expires. For example, over the past two years approximately 90% of the annualized dollar value of expiring MG contracts has been renewed. As such, we consider MG contracts to be ordinary course of business and re-occurring revenue.

While MGs may cause comparability issues from one quarter to the next, we believe the locking in of key customers, revenue, and predictable cashflows – all with a high probability of renewal – has significant strategic value for our business.

Over the next few years, as our business continues to move toward greater monetization and advertising revenue, we expect MGs to decrease as a percentage of overall revenue.

On the second topic, we announced concurrently with today's release that we are reducing our workforce by approximately 250 people across the company. This action will impact all business and functional areas and represents approximately 15% of our workforce. We view this as an important step to improve profitability and cash flow generation while enabling continued investment in our primary growth areas. We expect to incur a one-time expense of between 16 to 18 million dollars of restructuring and related charges, primarily for employee severance and related costs – and substantially all of which will be completed by the end of the end of the first half of 2026. We expect that these reductions, once

completed, will generate savings of 30 to 35 million dollars on an annualized basis. These expense reductions are intended to help offset an expected revenue mix shift as our media platform expands in 2026, which we expect will initially have higher cost of sales than other parts of our business.

Turning now to our outlook for 2025, we are reiterating our annual revenue guidance range of 440 to 460 million dollars and our adjusted EBITDA margin of 15 to 17 percent. While we expect to incur certain cash charges associated with the restructuring of our workforce, we also expect some cash savings in the quarter as employees depart. As such, we are not changing our outlook for operating cash flow, which is still expected to be neutral, plus or minus 10 million dollars.

Looking ahead, while we are not providing 2026 guidance at this point, our preliminary view is broadly consistent with consensus estimates for next year. We plan to share a more formal outlook for 2026 when we report our fourth quarter results.

Jon:

We're pleased with the meaningful progress we have made in achieving nearly all of our 2025 strategic goals ahead of schedule. I want to thank the entire Xperi team for their continued focus and execution as we work to deliver long-term value for our shareholders. We look forward to sharing further updates on our year-end call. Thanks everyone for joining today.