

Financial resilience, but not yet a high-confidence earnings inflection

1 | KEY RESULTS VS. CONSENSUS

Metric	Reported	Consensus	vs. Cons.
Revenue	\$160.4 million	\$164.8 million	-2.7%
Operating Income	\$53.7 million	\$59.5 million	-9.7%
Diluted EPS	\$1.72	\$0.92	+87.0%

2 | GUIDANCE AND OUTLOOK

Management reaffirmed 2026 revenue around the lower end of \$630 million-\$670 million, unchanged from July. Consolidated gross margin shifted toward the lower end of 74%-76%; the materials-to-royalty ratio fell from approximately 1.2:1 to 1.1:1. The previously anticipated material-margin recovery toward 60% was not reaffirmed. No formal 2027 guidance was issued; management cited higher input costs and potential manufacturing offsets, with guidance due in February. Blue development revenue is expected to remain lower during the transition to next-generation materials.

3 | EARNINGS ANALYSIS

MATERIALS DROVE THE MISS. Material sales of \$79.7 million missed the \$90.7 million consensus by 12.1%. Royalty and license revenue of \$75.5 million beat the \$70.0 million estimate by 7.9%; contract research services of \$5.23 million exceeded the \$4.63 million estimate. These categories are not an exact consolidated consensus bridge. Revenue increased 5.4% sequentially, but operating income was essentially unchanged at \$53.7 million versus \$53.6 million. Lower amortization concealed weaker operating performance before that expense, while a \$9.5 million year-ago royalty reduction flattered reported growth.

HEADLINE EPS OVERSTATES RECURRING IMPROVEMENT. Diluted EPS of \$1.72 included a \$28.9 million unrealized investment gain that generated no cash. Company-adjusted EPS of \$1.23 removes that gain and related tax expense but retains a \$7.2 million foreign-exchange gain on a disputed Korean tax receivable. The gain is remeasurement, not evidence of imminent collection. Buybacks also increased per-share growth. Revenue-recognition catch-ups complicate the operating comparison: higher expected lifetime contract volumes can reduce current recognized revenue per gram, so royalty growth, physical shipments and cash receipts require separate evaluation.

MARGIN NORMALIZATION LOST SUPPORT. Material gross margin was approximately 50.3%, versus 60.3% a year earlier and approximately 49.6% sequentially. Material cost of sales rose 20.6% despite revenue declining 3.5%, leaving material gross profit down 19.5%. Management no longer supplied a clear bridge back toward historical margins. A richer royalty mix supports consolidated margin while concealing weaker materials economics. Inventory reserves increased by approximately \$1.3 million versus \$124,000 a year earlier, explaining a meaningful portion, but not all, of consolidated margin deterioration.

LIQUIDITY DOES NOT PROVE INFLECTION. Quarterly operating cash flow was approximately \$100.2 million, but lower cash tax payments explain nearly all the year-to-date cash-flow increase. First-9-month dividends and repurchases of approximately \$262.3 million exceeded approximately \$176.6 million of cash generation after property, equipment and intangible-asset purchases. Approximately \$828 million of liquidity preserves financial flexibility, not an automatic stock-price floor. OLED adoption and shipment volumes improved. The quarter supports strategic relevance and financial resilience, not yet a high-confidence earnings inflection; fourth-quarter execution and February guidance are the principal reassessment points.

CUMULATIVE EARNINGS STILL CONTRACTING. For the first 9 months, revenue declined 4.8% to \$454.8 million and operating income declined 17.2% to \$150.1 million. Company-adjusted net income declined 19.5% to \$141.5 million, inconsistent with a completed cyclical recovery.

COMMERCIAL OPTIONS REMAIN EARLY. Blue has no disclosed commercial customer, launch date, production-volume target or revenue expectation. NovaJet is initially a research and evaluation tool, not an established production-equipment franchise or substitute for near-term core earnings recovery.

4 | KEY READ-THROUGHS

MEMORY SEMICONDUCTORS: DOWNSTREAM COST PRESSURE REINFORCES PRICING DURABILITY
Micron (MU), SK hynix (000660), Samsung Electronics (005930) | Positive | High fundamental relevance for Micron and SK hynix; material for Samsung’s semiconductor business

Memory tightness is expected to persist into 2027, independently corroborating memory producers’ pricing outlook. Device makers must absorb higher costs, raise prices, reduce configurations or cut shipments, leaving memory suppliers a disproportionate share of supply-chain economics. Weak handset or PC units need not imply weak memory earnings, although demand destruction remains the eventual counterweight. The call provides no HBM-allocation evidence. Incremental information is moderate, not transformational.

CONSUMER HARDWARE: PREMIUM PRODUCT STRENGTH DOES NOT SIGNAL MASS-MARKET COST RELIEF
Xiaomi (1810), Lenovo (0992) | Negative | Potentially high for Xiaomi’s smartphone business; moderate for Lenovo’s client-device operations

Premium launches do not establish broad procurement-cost relief. Xiaomi’s already-reported smartphone shipments fell 26.5%, ASP rose 25.9% and gross margin was 8.5%, illustrating the price-volume trade-off as memory inflation consumes thin handset profits. Lenovo’s stable 7.1% Intelligent Devices Group operating margin is counterevidence against blanket margin compression. Elevated costs can persist even when inflation slows, challenging broad volume-recovery assumptions into 2027.

DISPLAY MANUFACTURING EQUIPMENT: ANNOUNCED CAPACITY IS NOT AN IMMEDIATE ORDER RECOVERY
Canon (7751) | Negative near term | Meaningful within the affected equipment businesses; limited relative to consolidated earnings

Approximately \$20 billion of Gen 8.6 commitments supports long-term investment, not immediate equipment revenue. Canon had already disclosed expected OLED-equipment revenue declines as panel manufacturers postponed investments, while anticipating flat-panel-display lithography unit growth from 2027. Construction, procurement, delivery and qualification are separate milestones. Material consumption can rise at equipped factories while new equipment orders remain delayed; no new Canon award was identified.

SPECIALTY MATERIALS: UNCERTAIN PHOSPHORESCENT-BLUE TIMING EXTENDS THE INCUMBENT COMMERCIAL WINDOW
Idemitsu Kosan (5019) | Positive | Meaningful within the relevant electronic-materials business, but small at the diversified group level

Uncertain phosphorescent-blue commercialization preserves the window for qualified fluorescent-blue incumbents. Universal Display disclosed no customer launch or revenue ramp and expects blue development revenue to remain lower. Idemitsu’s commercialized stacked fluorescent-blue architecture offers approximately 20% lower power consumption than its conventional single-layer reference, showing incumbents are improving. This protects against displacement rather than establishing an immediate earnings acceleration or a new customer win.