

Rambus Inc. (RMBS)

Strong operating quarter, but a licensing-heavy beat

FQ3 2026 Earnings Review
Period ended 2026-09-30
Reported 2026-10-26

1 KEY RESULTS VS. CONSENSUS			
Metric	Reported	Consensus	vs. Cons.
Revenue	\$218.3 million	\$213.21 million	+2.4%
Operating Income, GAAP (vs. Year Ago)	\$83.7 million	\$63.3 million	+32.2%
Diluted EPS, Adjusted	\$0.84	\$0.79	+6.3%
SEGMENT REVENUE			
Product Revenue (vs. Year Ago)	\$114.3 million	\$93.3 million	+22.5%
Royalties (vs. Year Ago)	\$77.0 million	\$65.1 million	+18.3%
Contract and Other Revenue (vs. Year Ago)	\$27.0 million	\$20.0 million	+35.0%

2 GUIDANCE AND OUTLOOK			
Q4 guidance is revenue of \$227 million to \$233 million, products \$127 million to \$133 million, royalties \$68 million to \$74 million, contract and other \$26 million to \$32 million, and non-GAAP EPS \$0.84 to \$0.92. This is new guidance, not a raised prior range. The 60% to 63% near-term product-margin range is reaffirmed. Silicon IP growth is toward the upper end of 10% to 15%. MRDIMM adoption is shallower; LPDDR6 SOCAMM2 is positioned around 2028.			

3 EARNINGS ANALYSIS	
ROYALTIES DROVE THE BEAT. Revenue of \$218.3 million rose 22.3% year-over-year, but royalties accounted for approximately 94% of the outperformance against the guidance midpoint. Product revenue of \$114.3 million exceeded its \$113 million midpoint; royalties of \$77.0 million exceeded their midpoint by approximately \$5 million. Contract and other revenue grew strongly but missed its midpoint. The stronger evidence of product momentum resides in Q4, not in an unusually large Q3 product beat.	
CASH CONVERSION NEEDS PERSPECTIVE. Record operating cash flow of \$102.5 million exceeded non-GAAP net income by approximately 12%, despite the inventory build. Year-to-date operating cash flow was down approximately 5.1%, preventing the quarterly record from establishing accelerating cash generation. Stock-based compensation of \$17.1 million was approximately 92% of the GAAP-to-non-GAAP operating-income difference. Recurring equity compensation, rather than an acquisition charge, dominates exclusions. The non-GAAP tax rate fell to 16% from 20%, contributing to earnings growth.	
VOLUMES OUTRUN MARGIN RECOVERY. Non-GAAP product gross margin was approximately 60.4%, stable sequentially but down approximately 301 basis points year-over-year. Management attributed pressure primarily to supply-chain input costs, not companion-chip dilution or early-generation yields. Consolidated non-GAAP gross margin fell as products displaced high-margin royalties, while operating margin improved on lower expenses. Approximately 41% of sequential operating-income improvement came from that expense reduction. Management has not established an ability to pass through supplier inflation.	

LIQUIDITY SUPPORTS INVENTORY AND RETURNS. Cash and marketable securities were \$776.9 million, down \$48.0 million. Inventory reached \$87.2 million, with a Q4 build planned. Repurchases of \$135.4 million represented approximately 148% of free cash flow: accelerated capital return, not weak operating cash generation. Q3 capital expenditures were \$11.2 million, with \$8 million expected in Q4. RCDs and companion chips drive the Q4 acceleration before MRDIMM contributions, and preserving module counts while reducing capacity supports interface-chip demand. Earlier ordering improves procurement planning, but downstream inventories are hard to determine, so backlog does not conclusively establish stronger end consumption. The quarter strengthens the core thesis, but supplier costs, imperfect downstream visibility and uncertain platform adoption constrain extrapolation.

4 KEY READ-THROUGHS	
CONVENTIONAL DDR5 CONTENT EXPANSION IS ALREADY MONETIZING <i>Montage Technology (688008), Renesas Electronics (6723) Positive High strategic relevance for Montage; meaningful for Renesas's memory-interface operations</i> Rambus expects approximately \$130 million of Q4 product revenue, up 34% year-over-year, from RCDs and companion chips. More channels and faster RCD generations expand revenue without proportional DRAM-capacity growth. Montage projected approximately 49% interconnect-chip growth, corroborating industry expansion rather than a new surprise. Renesas exposure is more diluted. Supplier-cost pressure does not transfer: Montage projected 68.0% to 68.5% interconnect gross margin.	
MODULE GROWTH IS NOT MEMORY-BIT GROWTH <i>Micron Technology (MU), SK hynix (000660), Samsung Electronics (005930) Negative for unconstrained server-DRAM content assumptions Potentially meaningful within server DRAM</i> Customers preserve module counts while reducing capacity per module, so interface-chip demand can outgrow DRAM-bit demand. Micron described slower content growth than expected, making this corroboration rather than a reason to cut its quarter. Pricing can coexist with constrained bit growth; not a bearish memory-earnings call, and it does not transfer to HBM. Next tests: SK hynix (October 28) and Samsung (October 29).	
AGENTIC AI IS EXPANDING CPU-ATTACHED MEMORY DEMAND <i>Advanced Micro Devices (AMD), Intel (INTC) Positive Meaningful for EPYC and Xeon demand; moderate incremental consolidated read-through</i> Orchestration, workloads and memory management require CPU-based infrastructure around accelerators. Rambus says conventional memory subsystems drive most growth, supporting EPYC and Xeon demand. Its 34% product-growth outlook is not CPU shipment growth: channels, content and share contribute. The call establishes neither AMD-versus-Intel share outcomes nor losses for Arm-based processors. Utilization improvements remain limits. This corroborates AMD and Intel commentary on processor demand.	
CUSTOM SILICON CREATES EARLIER MONETIZATION OPPORTUNITIES <i>Synopsys (SNPS), Cadence Design Systems (CDNS) Positive Meaningful for advanced interface and memory IP; modest to moderate at the consolidated level</i> Custom silicon requires validated HBM, connectivity and security IP before chips reach production. Rambus places silicon IP growth toward the upper end of 10% to 15%, supporting design-stage monetization. Licenses are not automatically recurring shipment royalties. The signal corroborates peer demand, including Cadence's quarter, but Rambus design wins do not establish that either peer won that business. Synopsys reported a return to year-over-year Design IP growth.	