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AMKR.OQ - Q4 2025 Amkor Technology Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Amkor Technology fourth-quarter and full-year 2025 earnings conference call. My name is Diego, and I will be your conference facilitator today. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the call over to Jennifer Jue, Head of Investor Relations. Ms. Jue, please go ahead.

Jennifer Jue - Amkor Technology, Inc. - Vice President, Investor Relations and Finance

Good afternoon, and welcome to Amkor's fourth-quarter 2025 earnings conference call. Joining me today are CEO, Kevin Engel; and CFO, Megan Faust. Our earnings press release was filed with the SEC this afternoon and is available on the Investor Relations page of our website, along with the presentation slides that accompany today's call.

During this presentation, we will use non-GAAP financial measures, and you can find the reconciliation to the comparable GAAP financial measures in the slides. We will make forward-looking statements today based on our current beliefs, assumptions, and expectations. Please refer to our press release for a disclaimer on forward-looking statements and our SEC filings for a discussion of the risk factors and uncertainties that may affect our future results.

I will now turn the call over to Kevin.

Kevin Engel - Amkor Technology Inc - President, Chief Executive Officer, Director

Thank you, Jennifer. Good afternoon, everyone, and thank you for joining us today. Before I get to results, I want to begin by saying how honored I am to speak with you for the first time as a CEO of Amkor. I'm grateful to the Board for placing their confidence in me to lead the company into the next phase of our journey. I want to acknowledge Giel for his leadership and vision, which guided us to where we are today.

Having spent more than two decades with Amkor, I've seen firsthand the strength of our people, the trust of our customers, and the ability to evolve with the industry, adapting with agility and executing through market transitions in periods of uncertainty. Amkor is an exceptional organization with a team dedicated to delivering customer value and advancing leading-edge technologies.

My leadership approach is grounded in transparency, disciplined execution, and a strong customer focus. I'm energized to lead Amkor as we enter the next chapter of growth.

I'll turn to our fourth-quarter performance. Amkor delivered strong fourth-quarter results to close out a dynamic year. Q4 revenue was \$1.89 billion, and EPS was \$0.69 outperforming the high end of our guidance. All end markets exceeded expectations with the largest upside coming from communications, driven primarily by strong iOS demand.

For the full year, revenue grew 6% to \$6.7 billion. Computing continued its multiyear acceleration. Automotive delivered strong advanced content growth. Consumer demand improved, and communication stabilized with a key socket gang. Our team executed exceptionally well, navigating shifts in market conditions, a fluid geopolitical environment with agility and precision, which enabled us to deliver strong fourth-quarter results.

As we look back on 2025, it was a year marked with meaningful progress across each pillar of our strategy. We delivered record advanced and computing revenue driven by deep customer engagements across AI and HPC. We successfully ramped our first high density fan out programs into high volume production, expanding across multiple customers and positioning our platform for strong tailwinds in 2026.

Operationally, we made solid progress in Vietnam, reaching breakeven in Q4. We also broke ground on our Arizona campus, with construction of Phase 1 now underway. Collectively, these accomplishments strengthened our strategic position, expanded our global footprint, and reinforced our alignment with the fastest-growing megatrends shaping the semiconductor industry.

Now, let me share an update on our strategic initiatives. Our strategy remains firmly grounded and well aligned with current market dynamics. As we move into the next phase of growth, we see opportunities to further strengthen our execution while staying anchored in our three strategic pillars: first, elevate our technology leadership; second, expand our geographic footprint; and third, enhance strategic partnerships and focus markets. These pillars have been central to our progress and will continue to shape our path forward as we support accelerated demand for advanced packaging and deliver greater resiliency, flexibility, and value to our customers.

On technology leadership, we will continue to invest in advanced packaging platforms, including HDFO, flip chip, and test, which are critical to next-generation AI and high performance computing.

In 2026, our focus is on launching new programs across these platforms. We have two additional programs and final qualification for HDFO supporting AI data centers in addition to the two HDFO PC devices we've discussed previously.

Our Korea team is preparing for launching both programs into high volume in the second half of the year. The majority of our 2026 equipment investment is focused on HDFO and tests. As AI and HPC demand continues, we are well-positioned to enable the next wave of advanced products.

We are expanding our footprint to provide customers with diversified regional options for advanced packaging and test. Our presence across Asia, Europe, and soon the US, gives customers meaningful supply chain flexibility.

In 2026, our priorities include meeting construction milestones of our Arizona facility, expanding advanced packaging capacity in Korea and Taiwan, and continuing to scale in Vietnam. The ongoing ramp in Vietnam, including the migration of SIP products from Korea, is expected to free up manufacturing space in Korea for HDFO and test growth. This provides needed flexibility until our Arizona facility comes online.

We're also working closely across the ecosystem with foundries, fabless companies, IDMs, and OEMs to align technology road maps and scale capacity. In 2026, our focus is on enhancing these partnerships with clear milestones and investment commitments.

For example, one of the HDFO CPU devices ramping this year includes customer commitments to support our capacity investment, demonstrating how tightly our three pillars come together to support AI market expansion. Across all three pillars, we remain focused on margin improvement driven by operational excellence, optimization in Japan, Vietnam ramp-up efficiencies, a more favorable pricing environment, and a sustained mixed shift towards high-value advanced packaging. We look forward to sharing more details at the Investor Day in May.

For full year 2026, we expect revenue growth to be driven by continued acceleration in computing with expected to grow over 20% and continued strong growth in advanced automotive. The remainder of our business is expected to grow in the single digits. We continue to monitor export control and trade policies as well as dynamics around substrates, advanced silicon, and memory supply. We have considered these items in our guidance for Q1.

With a strong technology roadmap, targeted capital investments, and deep customer partnerships, Amkor is well-positioned to enable the industry's next wave of innovation.

I will now turn the call over to Megan to provide more details on our fourth-quarter performance and near-term outlook.

Megan Faust - Amkor Technology Inc - Chief Financial Officer, Executive Vice President

Thank you, Kevin, and good afternoon, everyone. Fourth-quarter revenue was \$1.89 billion, down 5% sequentially and up 16% year on year. The sequential decline reflected typical seasonal trends in communications and consumer, following strong Q3 builds, partially offset by continued strength in advanced automotive.

In communications, revenue grew 28% year on year in Q4 and 1% for the full year, reflecting a stronger footprint in the current generation of iOS phones and healthy demand across both iOS and Android ecosystems.

Computing revenue increased 6% year on year in the fourth quarter and 16% for the full year, driven by strength in AI-related PC devices and networking infrastructure.

Automotive and industrial revenue increased 25% year on year in Q4 and 8% for the full year, driven by strength in advanced automotive content for ADAS applications. Mainstream automotive continued a gradual recovery in Q4, marking the third-consecutive quarter of sequential growth.

In consumer, revenue declined 10% year on year in the fourth quarter reflecting the product life cycle of a high-volume wearable product introduced in the second half of 2024. For full year, consumer grew 9% with growth driven by both a full year of the wearable product and a broad improvement across traditional consumer applications.

Gross profit for the quarter was \$315 million, which included a benefit of approximately \$30 million from asset sales as noted in guidance for the quarter. Gross margin was 16.7%. Operating expenses for the quarter were \$130 million. Operating income was \$185 million, and operating income margin was 9.8%.

Our effective tax rate for the quarter was 4.8%, primarily due to discrete tax benefits related to the recognition of deferred tax assets. Net income was \$172 million resulting in EPS of \$0.69. EBITDA was \$369 million, and EBITDA margin was 19.5%.

Now, let's turn to our full-year performance. 2025 revenue increased 6% to \$6.7 billion. All end markets grew, and we achieved record revenue in the computing end market. Advanced packaging revenue also set a new record, growing 7% year on year, driven by growth in computing, automotive, and consumer.

Full-year gross profit was \$939 million, and gross margin was 14%, which includes a 90-basis-point headwind from the ramp up of our Vietnam facility. Operating income was \$467 million, and operating income margin was 7%.

Our full-year effective tax rate was 15.4%, lower than anticipated due to the discrete tax benefits recognized in the fourth quarter. Net income for the year was \$374 million, resulting in EPS of \$1.50. EBITDA was \$1.16 billion, and EBITDA margin was 17.3%.

Capital expenditures for 2025 were \$905 million, lower than our guidance due to the timing of cash payments for our Arizona facility. These investments remain in our plan and will shift into 2026. Full-year free cash flow was \$308 million.

Throughout 2025, we proactively positioned our balance sheet without its strength and flexibility, meaningfully enhancing liquidity. At year end, we held \$2 billion in cash and short-term investments, and total liquidity was \$3 billion, a 30% increase from the prior year. Total debt was \$1.4 billion, and debt to EBITDA ratio was 1.2 times.

Now, turning to our outlook, Q1 2026 revenue is expected to be between \$1.6 billion and \$1.7 billion, representing a 25% year-on-year increase at the midpoint. We see strong growth year on year in communications, computing, and the automotive and industrial end markets.

Gross margin is projected to be between 12.5% and 13.5%. We expect operating expenses to increase to approximately \$135 million as we continue to invest in R&D for anticipated growth. Our full-year effective tax rate is expected to be around 20%. Net income is forecasted to be between \$45 million and \$70 million resulting in EPS between \$0.18 and \$0.28, a strong start to the year.

2026 CapEx is expected to increase to a range of \$2.5 billion to \$3 billion. 65% to 70% is projected for facility expansion, including Phase 1 of our Arizona campus. About 30% to 35% is projected for HDFO, test, and other advanced packaging capacity. The remaining spend is projected for R&D and quality programs.

In closing, our fourth-quarter and full-year 2025 results reflect Amkor's focus and discipline on executing our strategic pillars. We enter 2026 with strong momentum, a clear strategy, and an investment agenda to enable our next chapter of growth.

This concludes our prepared remarks. We will now open the call up for your questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Charles Shi, Needham & Company.

Charles Shi - Needham & Company LLC - Analyst

Hi, thanks for taking my question. Kevin, Megan, especially Kevin, welcome on board. I'm looking forward to working with you going from here.

Maybe the first question regarding your CapEx guidance, obviously, that's well above what we thought. So when you announced -- when Amkor announced the plan in Arizona, there was a \$7 billion total CapEx investment. So we automatically thought that was like a more incrementally, you're going to do that over multiple years. But if we kind of have to guess that embedded in your pretty large CapEx guidance, a good amount of that investment can go to be a little bit more from loading than we thought.

So wonder, is there something we kind of missed or what has changed over the last three or four months? I didn't notice you mentioned that there was a customer commitment for a data center HDFO project that feels like that has played a role there. Mind if you give us some sense on why the CapEx numbers are so high and what's the reason for that? Thank you.

Kevin Engel - Amkor Technology Inc - President, Chief Executive Officer, Director

Yeah, sure. Thanks, Charles. Good to hear from you. So I think you're going to have to break it into two pieces. If you look at the CapEx projection, again, what Megan highlighted in her prepared remarks, it about 65% to 70% of that is for facilities. So then you take that percentage, and let's talk about the US spend.

So when we talk about the US, the \$7 billion, we talked about two-phased approach. Phase 1 is you can think about half of that \$7 billion. And then the construction is about 60% of that. So and then if you think about the construction timeframe that we talked about, we talked about the building being completed in 2027, basically around middle of the year. So if you kind of overlay that together, you can imagine that between this year and the first half of next year, you get an idea of that capital spending for the Phase 1 build out.

In general, if you talk about the other portion of the CapEx, the 30% to 35% that's equipment, I think there's a couple key things to highlight there. Obviously, that's not equipment for US manufacturing. That's all in support of Korea, supporting the HDFO and test, as well as 300-millimeter capacity expansion in Taiwan. That is an increase year on year, pretty significantly, about a 40% increase on equipment, and that just highlights the strong demand that we're seeing in this advanced packaging area.

On the commitment side, let me touch on that. So obviously, we're not going to talk about the details of commitments, but in general, that comes in multiple forms. There could be items like a prepayment agreement or loading agreements, other things that give us confidence that we're going to have high utilization in that facility once it's ready.

Charles Shi - Needham & Company LLC - Analyst

Thanks. Maybe a follow-up question on the CapEx. So at least for your Arizona facility, you do have a 35% investment tax credit. You may also have that the CHIPS Act, the direct funding that's available to you. We know that the US companies benefiting from those programs, there's a little bit of a varied in terms of how they guide CapEx, some were guiding growth. CapEx, some were guiding net CapEx.

So Megan, this is question for you. What's the number -- CapEx number? Is it the growth or is it the net? And if it's growth, how should we think about how to flow through the benefits government subsidies into the numbers, into our models? Thank you.

Megan Faust - Amkor Technology Inc - Chief Financial Officer, Executive Vice President

Yeah, great question, Charles. So those government incentives as well as the investment tax credits as well as the grants, those are going to come in on a lag. So you're highlighting a really good point that the Arizona CapEx is going to be frontloaded. And so our Arizona investment most likely could peak in '26 because we'll start to have those benefits come through subsequent to the investment periods.

So to come around to your original question, there's really minimal offsets in our guide with regards to investments benefits. And going forward, we will net those. But this is a net position, but there's really minimal in the 2026 guide.

Operator

(Operator Instructions) Craig Ellis, B. Riley Securities.

Craig Ellis - B. Riley Securities Holdings Inc - Equity Analyst

Yeah, thanks for taking the question. I wanted to follow up on some of the full-year end-market color, which was very helpful. And as I do, Kevin, welcome. Good luck in the role, and I look forward to working with you.

So I'll start with computing. In the 20% year-on-year growth, can you help us with color on how the potential size of the two data center HDFO programs might compare to the existing PC-related programs? And as you look at the data center contribution in 2026, would you expect those programs to be at full volume by the time we exit the year, or are they still ramping up as we exit the year? Just some additional color on how that plays out will be helpful.

Kevin Engel - Amkor Technology Inc - President, Chief Executive Officer, Director

Okay. Hey, Craig, and thanks for the remarks. We think about the Compute segment, maybe I'll focus on the Q1 color first.

We talked about 20% year-on-year growth for the year. What we're talking about there is again, you need to remember that compute is obviously PC as well as data center. If we look at the PC market in general, that's showing some headwinds. I'd say that's relatively soft compared to data center. And if we pivot that over to on the technology side and we look at the 2.5D and HDFO platforms, we're expecting that to nearly triple over the course of this year.

Commenting on the devices that are ramping, we would expect one of those to be in very high volume. It'll be a pretty steep ramp. The other one is also ramping, hard to project if it'll really be full volume towards the end of the year, but definitely meaningful revenue contribution.

Craig Ellis - B. Riley Securities Holdings Inc - Equity Analyst

Got it, that's helpful. And then, Megan, going back to one of the questions Charles asked just on investment, it certainly seems like you'll have a lot of help from credits and government funding next year. But to the extent that you would need to augment your current cash balance with supplements, are you able to take advantage of debt markets that historically have been very attractive, such as Japan, to provide any additional cash as we work through this first phase of increased investment?

Megan Faust - Amkor Technology Inc - Chief Financial Officer, Executive Vice President

Hey, Craig. Yes. So as we had mentioned, a significant portion of funding will come from government incentives on the total project, so that could be upwards of \$2.85 billion.

I also want to comment before we talk about the debt capacity that we do have, I would say, commitments from customers. Also, we have some that have already been executed and others that are in discussion. So we expect that that will also contribute to funding.

And then as it relates to the Amkor finance piece, we have been preparing for this for some time to give us, I would say, the flexibility on how to manage that. So yes, we do have access to debt capacity in various forms, especially being at only 1.2 times debt to EBITDA. So we are evaluating those options carefully, and we will manage that in order to optimize that return to shareholders.

Craig Ellis - B. Riley Securities Holdings Inc - Equity Analyst

That's very helpful. Thank you.

Operator

Randy Abrams, UBS.

Randy Abrams - UBS AG - Analyst

Yes, hi, thank you. Yeah, my first question wanted to just touch more on the outlook outside of the advanced packaging. The other segments for the single-digit growth, could you talk about the puts and takes within that for comms, the iOS versus Android, and also the SIP programs, if you expect much on the consumer or a communication SIP and then into the auto industrial. Just want to see a bit more color what you're seeing across the other markets outside the compute.

Kevin Engel - Amkor Technology Inc - President, Chief Executive Officer, Director

Hey, Randy. So let me have a couple of comments here. So some of this will be more market-driven data rather than what we're seeing internally. But let me give you some color at least.

On comms, obviously, market data would project that the phone units are roughly flat. I think there's some potential benefits there as there continues to be more of this shift towards premium tier. And typically that would benefit Amkor due to our content and the more premium phones.

When we think in compute, again, the PC market, projected to be slightly down on units. So that's a little bit of headwind. But then we continue to expect the shift to AI applications as well as more ARM-based, where again, that benefits Amkor a little bit, basically because we're moving from a vertically integrated kind of IDM model versus outsourced -- sorry, outsourced fabless company type model with ARM.

Then on auto and industrial, again, expected overall unit sales in cars to be roughly flat, continued migration over to hybrid NEVs. That's helping to continue to increase the semi content per car.

So we basically are seeing on the mainstream side, very slow recovery. We have seen three quarters of positive direction in mainstream. We expect to continue that slow progression out of the trough.

And then on the advanced side, again, think about things like computing in the car, ADAS, infotainment. That's an area we're seeing very strong growth for this year. So very, very positive momentum there.

So I think overall, and then on the consumer side, again, I think that'll be heavily driven by consumer sentiment and new product launches potentially. But in general, what we see across that kind of non-AI, non-advanced auto area is that it will be single-digit type growth.

Randy Abrams - UBS AG - Analyst

Okay, thanks for the color on those. And if I could follow up, then it might be a question for Megan on the outlook for the margins. I think, first, just into first quarter, is that the leverage effect in the one-time coming out for the lower guide for Q1?

And then as we go through the year with the mix more toward the advanced packaging, which I think you said is accretive, but want to see as it ramps in the ramp-up phase, if you're at the point it's a creative how to think about the incremental leverage with the stronger growth out of the Compute segment?

Megan Faust - Amkor Technology Inc - Chief Financial Officer, Executive Vice President

Thanks, Randy. Yeah, so for Q1, the guide at the midpoint of 13%, there is the, I'm going to say, asset sale that happened in Q4 that's going to impact that flow through. Without that, the sequential flow through would pretty much be in line with our 30% model. We are -- sequentially, there is some favorable product mix, and then that's being offset by some incremental costs.

When I look year over year, there is a, I would say, material content impact as well as some potential currency headwinds that are impacting that. So Q1 is typically our seasonally lowest top line but also bottom line.

As it relates to the full year, we're able to see good progression in the profit initiatives that Kevin had outlined in prepared remarks such that we would anticipate being able to achieve that 30% incremental flowthrough, absent the one-time asset sale.

Randy Abrams - UBS AG - Analyst

Okay, great. Thanks, Kevin and Megan.

Operator

Ben Reitzes, Melius Research.

Ben Reitzes - Melius Research LLC - Equity Analyst

Yeah, hi. How are doing? Welcome, Kevin. Good to be talking with you.

I wanted to ask about comms again, because I know it was mentioned in a prior question, but be a little more specific, because Qualcomm's guidance obviously indicated a pretty severe decline in the Android, and you tend to have much higher exposure to your large customer and the premium tier. So I was just wondering if you could be a little more specific about the guide for the quarter and the year in terms of comms. It would seem like it'd be significantly, meaningfully better than flat, just given those premium tier and who you're exposed to, but I just wanted to be sure. Thanks.

Kevin Engel - Amkor Technology Inc - President, Chief Executive Officer, Director

Yeah, thanks Ben. So a couple things. I think when we think about iOS, obviously, and I'm talking more about Q1 at this point. I think about iOS, we're exiting a pretty solid cycle in the phone launches, so I'd say that we're pretty positive on what we're seeing for Q1.

For Android, you're right. I think what we're seeing is that, and maybe this is related to memory and other things, but we're continuing to see relative strength in Android. And it may be a little bit of a step down, but in general, nothing that's concerning for us. And again, that could be related to the shift to more premium where we participate a little more heavily.

Ben Reitzes - Melius Research LLC - Equity Analyst

Okay, got it. Thanks. And then with regard to the Arizona project, do you mind just clarifying a little bit more on your partnership with TSMC? How's that progressing? How does that impact that CapEx guidance of yours, and how's the partnership going? Obviously, significant shortages being reported out of them or like be some and it seems like they really need your help so just hoping for a bit of an update there on them. Thanks.

Kevin Engel - Amkor Technology Inc - President, Chief Executive Officer, Director

Yeah, thanks for the question. Obviously, US manufacturing is still a couple years away. So when we think about the constraints today, slightly different dynamics, we're trying to support those dynamics out of our Korea facility, a little bit out of Taiwan as well.

You would think about the partnership with TSMC. I'd say that discussion continues. We have a very strong ongoing relationship on technology, as well as what type of manufacturing is going to be needed in the US. And then you can imagine that collaboration also kind of spirals down to the end customers that are going to ultimately benefit from that US supply chain.

If I think about the overall interest level for the US is continuing to increase. If you go back to our -- as an example, our groundbreaking in October last year, that groundbreaking had many customers that attended that, just again, reinforcing their interest. And it was really across all of the markets that we support. So it was communications, comms, automotive, as well as even customers that support consumer products.

So we feel really good about the momentum from the customer perspective and expect that to increase as we start to build out the facility.

Ben Reitzes - *Melius Research LLC - Equity Analyst*

Okay, thanks.

Operator

Steven Fox, Fox Advisors.

Steven Fox - *Fox Advisors LLC - Analyst*

Hi, good afternoon. First question, Megan, I'm kind of struggling with the plan for the balance sheet for the coming year. Fully recognizing that obviously you're going to have government benefit inflows after you put the cash out, but relative to doing a couple hundred million dollars of free cash flow in 2005 (sic - 2025), and I assume excess cash on the balance sheet, can you maybe help us maybe prepare for how much of a debt increase you're going to have to do during the year, the timing, and how quickly you've then de-leveraged after that, maybe in '27? And then I have follow-up.

Megan Faust - *Amkor Technology Inc - Chief Financial Officer, Executive Vice President*

Yeah, great question. So as it relates to our approach for funding, we are, I would say, pursuing various different mechanisms. I had mentioned earlier that we're in discussions with customers, and so we're evaluating that in parallel with what -- if any we would need to do this year with respect to the balance sheet. So there's not any updates on timing or magnitude at this time.

As you mentioned, we do have significant liquidity that exists today, so we are confident in how we'll be able to manage the balance sheet and that CapEx need for 2026.

Steven Fox - *Fox Advisors LLC - Analyst*

I guess just a couple of things maybe you could help with. Can you give us a sense for what you can run the business on, how much cash you need to run the business in '26? And should we be thinking of a better material increase in interest expense later in the year? And then just to follow up on the business in general.

Megan Faust - *Amkor Technology Inc - Chief Financial Officer, Executive Vice President*

Sure. I'll answer your second question first, because I think it's important to note that we'll actually expect a decrease in interest expense even in the event where we may increase debt and that's associated with capitalizing interest as far as the construction project.

And then the first part of your question really centers around the amount of cash that we would say we'd be comfortable having on the balance sheet. And I would say we can operate with \$500 million on the balance sheet. That's a comfortable level for us.

Steven Fox - *Fox Advisors LLC - Analyst*

Great. That explains a lot. And then just from a bigger picture with the expansions that are going on in Korea and I guess more broadly with the advanced packaging. I know you mentioned sort of a 3x increase year over year. Like how do we think about sort of that flowing through in terms of a curve of ramping and whether there's any kind of income statements -- income statement impacts or margin impacts that we should consider as you ramp. Thank you very much.

Kevin Engel - *Amkor Technology Inc - President, Chief Executive Officer, Director*

So I'll start with the profile, then Megan can talk a bit more about the other financial aspects. So if we look at the ramp profile, again, we have these PC-related products that are ramping earlier in the year, went already in production today.

Then as we get into the second half of the year, there'll be a pretty sizable step up in the CPU data center type devices. So I would expect it to definitely be back end second-half loaded related to revenue growth. And Megan, can you add anything on that?

Megan Faust - *Amkor Technology Inc - Chief Financial Officer, Executive Vice President*

Sure. So that -- those investments that we've been putting in place even second half of '25 and I would say the equipment will be front end loaded in '26, that is going to put pressure on depreciation expense. And as we ramp those, as Kevin mentioned, in the second half of the year, we will see efficiencies such that we will be able to get some accretive outcome from those products.

Operator

Steve Barger, KeyBanc Capital Markets.

Steve Barger - *KeyBanc Capital Markets Inc - Analyst*

Thanks. I'll echo the congratulations to you, Kevin. Maybe first for Megan, as you think about revenue growth and mix for 2026, do you expect to recover the 90-basis-point headwind from ramping Vietnam last year, meaning you can get gross margin back in line or better to 2024's 14.8%, or will something in mix make that hard to get all the way to?

Megan Faust - *Amkor Technology Inc - Chief Financial Officer, Executive Vice President*

Hi, Steve. Great question. So we are seeing great ramp in '26 as far as our visibility today. So I want to reiterate Kevin's remarks that we did have, I would say, breakeven in Q4, which was a significant milestone for us in Vietnam. And we see that continuing in Q1, which usually is the lowest quarter. So that's really good foundation.

As it relates to the whole year, if you think about with or without, I think you've nailed it. There will be a product mix story in Vietnam related to the products that we have there, which is SIP. But what we will have is, I would say, fall through to the bottom line as it relates to that business.

So we are going to have, I would say, not meaningful gross margin impact, and it's more about product mix at that point going forward.

Steve Barger - *KeyBanc Capital Markets Inc - Analyst*

Got it, thank you. And Kevin, with compute showing the strongest growth this year, can you just help nail down what you expect for AI-related packaging revenue this year, or maybe what AI-related advanced packaging revenue as a percentage of total revenue is? We get this question a lot from investors, and just any light you could shed on that would be great.

Kevin Engel - *Amkor Technology Inc - President, Chief Executive Officer, Director*

Yeah, not a whole lot more color I can give there. I can -- obviously, compute in general, it exited '25 at about 20% of revenue. So you can take that. Then obviously, there have been some estimates that we've given in the past related to the growth rate for the advanced going back into last year. That's about all I want to talk about. But definitely, we're going to continue to see accelerated growth in that AI data center/even PC area.

Operator

Peter Peng, JPMorgan.

Peter Peng - *JPMorgan Chase & Co - Analyst*

Hey, thanks for taking my questions, and congratulations, Kevin. Looking forward to working with more closely.

Just on your computing, you guys are ramping pretty aggressively and talked about three times. I guess maybe if you can talk about whether there's any constraints, and how much capacity you have to capture additional opportunities?

Kevin Engel - *Amkor Technology Inc - President, Chief Executive Officer, Director*

Yeah, thanks, Peter. So when we think about limitations, I won't say necessarily constraints, but limitations on growth, I'd say there's a couple things there. So obviously, labor in general, and this is predominantly on the R&D side, we think about the amount of MPs that customers want to run, making sure the calls are successful. And that is creating some constraints where we're prioritizing larger opportunities, specifically in Korea.

I think another dynamic is space. In the prepared remarks, we talked a little bit about how SIP is migrating over to Vietnam. That helps to free up space in our Korea facility.

Also, over the course of 2025, we basically converted some of our existing building space into clean room area. So we saw a little bit of an increase in space in 2025. And then we're continuing to build out a new building where we had the groundbreaking last year. And that new building will come online as we exit 2026.

So overall, by the time we exit 2026, we'll basically be increasing our career space around 20% since the beginning of 2025. So space is definitely an area that we're accelerating. And then obviously, the equipment delivery, as Megan said, that will be more front-end loaded in the year to make sure that we're able to support these second-half launches.

Peter Peng - *JPMorgan Chase & Co - Analyst*

Got it. And then in your prepared remarks, you also talked about two additional programs and final qualification. Can you maybe provide some color, whether this is existing customers for any products, these are new customers, any color on that?

Kevin Engel - Amkor Technology Inc - President, Chief Executive Officer, Director

Well, they're existing customers, but one of them is new to the HDFO platform. So I'll say that they're both, we mentioned before, they're both CPU related. And yeah, so a lot of positive momentum that we've been working with these customers for quite some time on rolling out that next-generation technology to them.

Operator

Thank you. And at this time, I am showing no further questions. I would like to turn the call back over to Kevin for closer remarks.

Kevin Engel - Amkor Technology Inc - President, Chief Executive Officer, Director

Thank you. Now, let me give a quick recap of our key messages. 2025 was a pivotal year for Amkor. We delivered strong results, advanced our strategic initiatives, and we position -- we strengthened our position in the fastest-growing areas of the semiconductor industry.

As we enter 2026, we are doing so with strong momentum, a clear strategy, and deep engagements with partners across the ecosystem. Our first-quarter guidance is \$1.65 billion reflecting a 25% year-on-year growth rate.

I'm confident in our ability to execute with discipline and for Amkor to enable and capture the next wave of advanced packaging growth. Thank you for joining the call today.

Operator

Ladies and gentlemen, this concludes today's conference call. You may now disconnect.

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