

Mobileye

First Quarter 2026 Earnings Conference Call

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Joshua Buchalter, *TD Cowen*

George Gianarikas, *Canaccord Genuity*

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PRESENTATION

Operator

Greetings, and welcome to Mobileye's First Quarter 2026 Earnings Conference Call.

At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Dan Galves. Mr. Galves, you may begin.

Dan Galves

Thank you, Maria.

Hello, everyone, and welcome to Mobileye's first quarter 2026 earnings conference call for the period ending March 28, 2026.

Please note that today's discussion contains forward-looking statements based on the business environment as we currently see it, including regarding our future financial outlook. Such statements involve risks and uncertainties. Please refer to the accompanying press release, which includes additional information on the specific factors that could cause actual results to differ materially.

Additionally, on this call, we will refer to both GAAP and non-GAAP figures. A reconciliation of GAAP to non-GAAP financial measures is provided in our posted earnings release.

Joining us on the call today are Professor Amnon Shashua, Mobileye's CEO and President; Moran Shemesh Rojansky, Mobileye's CFO; and Nimrod Nehushtan, Mobileye's Executive Vice President of Business Development and Strategy.

Thanks, and now I'll turn the call over to Amnon.

Amnon Shashua

Thank you, Dan.

Hello, everyone, and thanks for joining our earnings call. We delivered very good results in the first quarter. Revenue was up 27% year-over-year, adjusted operating income was up 61%, and our operating cash flow was again strong at \$75 million, despite working capital timing that was a modest drag. We have seen upward pressure on demand for our EyeQ product for the last several quarters. That continued in Q1 and is what we expect for Q2 as well.

As a result of higher volume and revenue in Q1, we have raised our 2026 outlook towards the high end of our original guidance, leaving the outlook for the remaining three quarters essentially unchanged. The geopolitical and economic environment remains volatile, but based on our visibility for Q2, we believe there is sufficient conservatism baked into the second half.

Diving deeper into the drivers of our business, our ADAS business is very strong with very high margins and cash generation. Design wins over the last several years have secured our position with our main customers over the long term. India looks like a meaningful growth opportunity, and our focus over the last couple of years on supporting Chinese OEMs on their export ambitions is paying dividends. Finally, the

Surround ADAS segment gives us the opportunity to replace many of these base ADAS programs with much higher average selling prices over time.

On our advanced product portfolio, the current priority remains execution, and that is going very well. We have a number of production programs running in parallel, two of which start production in the relative near term. These are SuperVision with Porsche and Drive Robotaxi with MOIA, the Volkswagen Group's autonomy division.

For both programs, Mobileye is responsible for the development of comprehensive advanced ADAS and autonomy platforms, integrating hardware, software, data, and maps into a complete system that must be provably safe, predictable, and verifiable. These solutions need to meet tens of thousands of requirements set by the automaker and need to be homologated to automotive-grade standards. Each program gives us the ability to prove that Mobileye is the leader in developing and executing complex AI-based systems in the physical world at global scale, systems that can be validated under strict standards, something that many companies talk about, but few besides us are actually executing on this vision.

Specific updates as it relates to SuperVision are as follows. Progress is strong, with performance tracking well to our objectives. As a concrete example, six weeks ago, we had the first OEM-directed drives in the US for this system, having only tested in Germany and Israel previously. Our first task was a 2,000-plus kilometer drive in a vehicle equipped with production EyeQ6 High SoC and ECU hardware, with the latest software engines integrated into the production architecture. We had no prior knowledge of the route, which was across a diverse set of urban, suburban, and highway road types, and severe weather, including heavy snow.

The SuperVision system performance was outstanding, with very few interventions encountered. This was an important proof point for our out-of-the-box performance and ability to generalize to a brand-new geography. We have a couple of more software releases to make, and then expect to have the capability to demonstrate to other potential customers in the various key geographies.

On Robotaxi, we continue to make rapid progress. In Q1, Volkswagen announced the start of pre-series production of the ID. Buzz autonomous vehicle in its Hanover facility, with vehicles coming off the regular assembly line with mobilized, fully integrated self-driving systems. Volkswagen's ability to produce fully integrated Robotaxis at scale from an active automotive production line is very unique. MOIA, the Volkswagen division that will deploy these vehicles, announced that testing had begun in L.A. for the Uber collaboration. They also announced today that Orlando is the first launch city in collaboration with Beep.

For both of these efforts, the path to commercialization is as follows. We continue the current process of testing, data collection, and validation. Once we achieve sufficient proof points, we'll begin accepting commercial riders with a safety driver until a required level of performance has been proven that allows us to remove the safety driver. That is the point where the scaling advantages of our approach, including crowdsourced mapping, our deep and diverse global dataset, and Volkswagen's ability to ramp up production rapidly will be self-evident in terms of ability to expand geographic areas of operation more rapidly than competitors.

It's another opportunity for Mobileye to prove its end-to-end capability in terms of executing complex physical AI systems at scale. All of this experience over the next two or three quarters would feed back to further improvements and fine-tuning to be ready for scaling in Europe once the ID. Buzz is fully homologated and certified, which is targeted for the first half of 2027.

Turning to the Mentee side, components of the Version 3.2 of the robot have arrived and will demonstrate incremental capabilities soon. The hardware roadmap for Version 4 is nearly complete and is expected to be ready for demonstration by early 2027. This will be the version that we expect to commercialize for initial use cases and market entry and will be cost- and weight-optimized and offer enhanced dexterity and manipulation capabilities.

Finally, on the buyback we announced this morning, we are a cash-generative company which is unique in this space. That gives us the ability to pursue growth opportunities like we did with Mentee, but also be opportunistic with our equity. While we are making strong progress on our advanced products and conversion of our large future revenue pipeline, the realities of automotive development timelines and OEM confidentiality agreements limit what we can disclose publicly. In an environment where technology competitors are generating significant news flow, we believe that this lack of visibility has weighed on our stock price. While we continue to execute, we see an opportunity to deploy cash-toward-share repurchase, which will benefit all shareholders by partially offsetting dilution from stock-based compensation and addressing dilution from the Mentee transaction at significantly more attractive prices than those embedded at closing.

I'll now turn the call over to Moran.

Moran Shemesh Rojansky

Thank you, Amnon, and thanks for joining the call, everyone.

Before I begin, please be aware that all my comments on profitability will refer to non-GAAP measurements. The exclusion in Mobileye non-GAAP numbers are typically amortization of intangible assets, which is mainly related to Intel's acquisition of Mobileye in 2017 and stock-based compensation. This quarter, we also excluded the goodwill impairment loss referenced in the press release and transaction costs associated with the Mentee acquisition, which closed in early February.

First quarter revenue of \$558 million was up 27% year-over-year. This compared to the indication we gave on the January call of about 19% growth. We had assumed shipments of approximately 10 million EyeQ units in the quarter, including some recovery of safety stocks at customers, which had ended 2025 at a very low level. The upside in the quarter was a combination of higher share and higher ADAS shipment rates at co-western customers, and more meaningfully, from a robust Chinese OEM volume from the export market, a segment where we have higher share than we do on Chinese OEM vehicles sold domestically.

Adjusted operating income was \$95 million, up 61% year-over-year. Adjusted operating margin was 17%, up about 4 percentage points versus Q1 2025. Profitability was largely as expected. Strong mix to our top 10 customers was a bit of a tailwind, offsetting the higher China OEM volume, which typically carried lower pricing and profitability. Operating expenses were as expected, representing about 25% of our full year expectation of around \$1.1 billion, and were up versus Q4, mainly due to engineering reimbursement timing that relate to production program milestones, and also the consolidation of Mentee expenses as of early February.

As I noted on the January call, we've been seeing consistent positive revisions from our customers throughout 2025, and that continued in the first quarter of the year. We continue to expect that underlying demand trend is in the low 9 million units per quarter. Q1 was a bit above that, even excluding the adjustment of safety stock at our customers. But we prefer to continue to forecast a reversion to that low 9 million unit trend over the balance of 2026, particularly giving the geopolitical and economic volatility that Amnon mentioned earlier.

Turning to full year guidance, we are increasing the revenue outlook to \$1.975 billion at the midpoint, which implies 4% year-over-year growth. This is underpinned by about 38 million EyeQ units, which is up a little less than a million from the prior outlook, accounting for the upside in Q1. A bit more granularity on the volume is that the forecast assumes the current S&P production forecast of our top 10 customers, which is currently minus 3.5% year-on-year. It also assumes that the run rate of China OEM volume in the second half of 2026 comes down meaningfully from the first half level. We aren't sure what will happen, but given low visibility on that part of the business, we prefer to stay conservative.

We are increasing our outlook for adjusted operating income to \$210 million at the midpoint, up from \$195 million in the prior outlook. The two items impacting revenue to income conversion are, number one, a good

portion of the incremental revenue is related to China OEM volume, which converts at lower revenue per unit and profitability than the rest of our volume. Number two, on the SuperVision side, volume is consistent with our prior outlook, but we do have some incremental costs for the ECU, particularly related to memory. Our assumption of operating expenses are unchanged at approximately 10% year-over-year growth to around \$1.1 billion.

Finally, on the full year, we have now provided an outlook for GAAP operating income. At the time of the January call, the impact of the amortization and stock-based comp from the Mentee acquisition was not able to be estimated precisely. Now it is. The only thing to note is a reminder that only a portion of the shares issued as part of the acquisition will show up in the share count this year. That is because the majority are tied to vesting requirements for the Mentee founders. Therefore, the relevant accruals are included in the projected share-based compensation expenses referred to in the guidance.

Another important point to note is that while there be share-based compensation expense and some impact to the share count associated with these shares in 2026, it will be gradual, as full vesting only occurs for 50% of the shares in 2028 and the remainder in 2030.

Turning up to second quarter, we are assuming about 9.3 million EyeQ units and for revenue to approximately 6% on a year-over-year basis. We would expect gross margin to be slightly below Q1 level based on the mix of orders we are seeing currently and for operating expenses to be consistent with Q1 level, maybe slightly down.

To conclude, we are almost four months into 2026 and continuing to see positive demand signals from our customers on the core business. As Amnon discussed, we are also seeing very good execution progress ahead of a large number of advanced product launches over the coming one to two years which we expect to create significant growth for the Company. Finally, I am pleased that we are able to begin a share buyback program as we believe it takes advantage of the strong cash flow of our business and benefits all shareholders by offsetting a portion of RSU issuance which is a critical part of Mobileye's employee compensation structure.

Thank you and we will now take your questions. Thank you.

Operator

We will now be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. We ask that analysts limit themselves to one question and a follow-up so that others have an opportunity to do so as well. One moment please while we poll for questions.

Our first question comes from Edison Yu with Deutsche Bank. Please proceed with your question.

Winnie

Hi. Thank you. This is Winnie (phon) on for Edison. First question is on the ADAS side. It seems like the year's guide is raised reflective of the 1Q beat. Just curious what conditions you're seeing now on the channel and customer. You've given us some guidance for the rest of the quarter. Can you just refresh some of that to reflect what you're seeing in the first half of the second quarter? Thank you.

Moran Shemesh Rojansky

I think that basically in terms of the guidance, we are reaffirming our guidance from January call and adjusting it for the upside that we're seeing in Q1 as we don't anticipate this upside to impact the rest of the year. That's the main reason. As for the upside, I can briefly mention what we were seeing. First on the

China OEM export volume, we're seeing, I think that half, probably half of the upside is coming from there. We're seeing very strong demand for both Q1 and also incorporated into Q2. For the second half, we're still conservative and this market is volatile, but we're seeing very good demand on that. Some of our customers have very significant year on year growth on export.

Secondly, ADAS treatment rate is increasing in 2026 for our top OEM customers. We're seeing constant demand here throughout the year. This is the thing unchanged from our January call. Third thing is the safety stock inventory adjustment for our customers. We talked about it at 2025 and it ended at very low level, even below three weeks or so. They are now increasing their safety stock to approximately four or five weeks, which is kind of normal. We don't anticipate this volume to reverse this year as it's an abnormal stock they need for their ongoing shipment.

Nimrod Nehushtan

Just to add on the macro side that there are a few tailwind effects that we are benefiting from. First one is the increase in export volumes by the Chinese OEMs that are our strong customers. Interestingly, these volumes are in emerging markets like Asia and South America and are not necessarily competing with the European volumes that we have. We can benefit from an overall increase in volumes.

The second is that we have increased our market share in our key customers. Although we have been in the majority of the volumes of our top 10 customers, it wasn't necessarily 90 plus percent in all of them. We graduated over the past two years. We've been increasing our market share, replacing older solutions by competitors. That is also a tailwind effect. Overall, we don't anticipate these two trends to weaken. We expect them to continue as they were, and it's kind of what stands behind the revision to the guidance.

Winnie

That's very helpful. Thank you. A follow-up on Mentee. I was wondering if you can give us an update on the progress made thus far, and would it be reasonable to assume some kind of proof of concept later in the year with external customers? Thank you.

Amnon Shashua

We're making progress on two fronts. One is the hardware. What we have shown a month or two ago was Version 3.1. Version 3.2 is being assembled now. Better dexterity, improved hands as well. Software-wise, we are integrating VLMs into the system, designing tasks that are more targeted to home-use tasks, so B2C domains. We have another Version 3.5 of the hardware in two months from now. Version 4, which is the hardware to go into mass production, should be ready by the end of this year, early next year.

Regarding proof of concept, we are still analyzing the domains. Part of our analysis is the availability of the B2C model rather than B2B or starting B2C and then B2B. We're still analyzing the opportunities of the use cases that we are building for the robots.

Winnie

Great. Thank you so much.

Dan Galves

Thank you, Winnie.

Operator

Our next question comes from Chris McNally with Evercore ISI. Please proceed with your question.

Chris McNally

Thanks so much, team. Amnon, I just wanted to focus on the upcoming KPIs for the driver out, as you mentioned, in Los Angeles and Florida, and maybe what's to come after driver out with respect to commercial scale. If I divide it into two parts, on the driver out, what's left in your timeline to validate the service for that fall and Q4 launch, as you mentioned?

Amnon Shashua

Our milestones for the driver out is first to start validation on the final Level 4 vehicle. So, there is still a few more months until we get the final vehicle ready for production. Then, we'll start the validation. Also, there are some things that we need to close with the remote operators, make sure that everything there is running as we plan. Then, we start with commercial drives with a safety driver, and towards the end of the year to remove the driver. We are on track with all our plans in that area.

What comes after that? We will see. Our first priority is driver out on an SDS system that is fully homologated, both software and hardware, automotive grade. This is a huge moat. This is very, very important. Once we get that, the second is scale. We want to see 2027, at least six cities, hundreds of vehicles at minimum. That's the next real big milestone. Then, we'll look at the market and see whether we need to simply remain an SDS provider, which at the moment is our plan A, or to extend our vertical integration. We'll see what happens by the end of 2027.

Chris McNally

Perfectly clear. I think you basically hit on the first part of my follow-up. I think we all understand driver out is not really the end of AV development or service. Could we talk about the original, the ODD expansion? Will the first commercial service go on the highways? How do we think about those AV improvements which are non-safety critical, smoothness of the ride and essentially your service getting better as it ramps in 2027 in the U.S.?

Amnon Shashua

Now, we're talking about robotaxis. Robotaxi is a full, deep, urban point-to-point in cities. We have the capability also to support highways, but we will start in deep urban inside the cities and then gradually expand into highways as well. In terms of comfort, this is part of our KPIs today. I don't see us coming out with a commercial service that doesn't have the necessary comfort level of driving. But, of course, the most important is the safety level. We are, in our KPIs, measuring also what would be called roadmanship, making sure that at the comfort level, we are also meeting our KPIs. All of that should be in 2026. Twenty twenty-seven is more focused on scaling, both scaling number of vehicles, also reducing the ratio between teleoperators to vehicles. That would be the goal for 2027.

Chris McNally

Thanks, team. We look forward to getting into the vehicles at the end of the year.

Dan Galves

Thanks, Chris.

Operator

Our next question comes from Joe Spak with UBS. Please proceed with your question.

Joseph Spak

Thanks. Good morning. One quick follow-up on the guidance and a bigger question, Amnon. On the guidance, I know you mentioned that one of the reasons for the EBIT flow-through versus the revenue flow-through was some of the China mix. But if I understood correctly, I thought the better China volume was in the first quarter and that you're still assuming sort of at that low nine sort of pace globally for the rest of the year. Maybe this could help me understand some of that conversion. If you could, I think you mentioned, 2Q is still trending pretty well there. Maybe some even more near-term expectations on the quarter.

Amnon Shashua

Okay. I'll give it to Moran.

Moran Shemesh Rojansky

Yeah. I think for the China OEMs that you mentioned, it's not just in the first quarter, it's also in the second quarter. In terms of the years, in the year, the portion of China OEMs is increased in a few hundreds of thousands of chips, which impacts, of course, the conversion of revenue to profitability as also the export volume in China is for a lower ASP than what we sell in the West. That's for the guidance clarification.

Nimrod Nehushtan

Just to add to this to clarify, these China export volumes do have lower ASP. However, they are for new markets that until today, we did not have any sales in. It's not that there is a competition between higher ASP, higher margin European business, for example, or American business for us that now comes from a lower ASP from China. These China volumes go to, let's say, blue oceans when it comes to ADAS penetration. It's a net gain for us.

Joseph Spak

Okay. Thank you. Then just, I guess, to follow up on Chris's prior question with the drive product, I appreciate the commentary on the KPIs, but what's really the process here between the different parties? Where does sign off on moving to the next phase lie? Is it with you? Is it with MOIA? With the TNC? Then, you did briefly sneak in there at the end, Amnon, that you'd look after these launches, whether it makes sense to remain an SDS player or extends that vertical integration. I mean, the latter would clearly give you more freedom. Is there anything that prevents you from doing that from a partnership or exclusivity perspective?

Amnon Shashua

Nothing prevents us to pursue the right business direction. It also depends on how the future plays out. Are there going to be one or two SDS suppliers out there, which is our current assumption, or are there going to be multiple? If there are going to be multiple, maybe the right business decision is to go more vertically integrated. But it's too early to tell. Right now, our focus is on the SDS, on the driver out, the SDS, the hardware, the software, the driver out, the roadmanship, the teleoperation. There's lots going on there. The maps, making sure that the maps scale so that we can scale quickly from city to city during 2027. That is the focus of the Company. We have no limitations on how to pursue our business model.

As for the first part of your question. The driver out eventually depends on the customer, which is MOIA and Volkswagen. We are supplying the technology. We do not determine when the driver will be out, but our KPIs and milestones of both parties are targeting end of 2026.

Joseph Spak

Thank you for that.

Dan Galves

Thanks, Joe.

Operator

Our next question comes from Josh Buchalter with TD Cowen. Please proceed with your question.

Joshua Buchalter

Hey, guys. Thanks for taking my question. I'll start with one on the model. I'm a little confused on the ASP trends implied in the guidance. You mentioned China tends to be lower ASP. But if I sort of run this low 9 million EyeQ shipments per quarter through the rest of the year, it implies ASPs continuing to trend down through the rest of the year, despite China becoming a lower part of the mix and potentially some advanced ADAS solutions later in the year. Can you help walk me through the ASP trends through the year, and if we should indeed be modeling low 9 million EyeQ shipments per quarter through 2026? Thank you.

Moran Shemesh Rojansky

Yeah. I believe in January earning call, we discussed ASP with regards to the second chip that we have this year. We have approximately—we have a program and one specific program with a dual chip when the second chip is discounted. We have approximately 800,000 units this year. This is an ASP headwind of like \$0.80. With the China OEMs, we did increase, as I mentioned before, the China portion in terms of volume for 2026. This is an additional maybe \$0.30 or \$0.40 decrease in ASP since our last estimation, although volume has increased significantly. that's the explanation.

Dan Galves

Yeah, I think it's also pretty—it's difficult to be precise about it because there's other parts of the business as well. Just to be clear, we're not assuming additional advanced product launches for this year.

Joshua Buchalter

Okay. Thank you both. Then maybe a bigger picture one. Amnon, given your position in the industry, I was hoping you could maybe reflect on how the regulatory environment for autonomous mobility broadly and robotaxis has changed over the last year and when we should expect that to be a more meaningful part of a Mobileye's model. Thank you.

Amnon Shashua

In the U.S., its self-certification, which is very convenient to start ramping up. In Europe, the bar is much higher in terms of homologation. This is the advantage of our partnership with MOIA and Volkswagen, that they take the homologation part to homologate the vehicle in Europe. I believe that as robotaxis will start proliferating from the thousands of units to tens of thousands to hundreds of thousands, we will see more regulation coming in everywhere, not only in Europe, but also in the U.S. Having a very clear and precise and crisp definition of safety, in our case, it's RSS and PGF stuff that we talked about back in the past, is very important to prepare the Company towards an environment in which the regulatory profile is going to be much more stringent.

Nimrod Nehushtan

If I may add to this, I think that if you see the communications from other companies on robotaxi launches, it's primarily either in China or in the U.S. You see much less noise or news, sorry, coming for European markets. We think that some of the reasons for that is because of the regulatory requirements in Europe that we've been actively working on with VW over the past year and a half almost. Through this engagement, we have exposure to how regulators view this business. They do require specific KPIs and

very detailed explanations on validation concepts and testing methodologies, and how can you overcome different unexpected events and safety assurances, et cetera, that is much more nuanced than just the high-level technological debate that is being made on public stages.

I think we have a significant advantage in being fairly advanced in this process, and this will prove, we believe, as a competitive advantage in the next few years as being one of the only, if not the only, robotaxi neighbor in the European market, which in and of itself has potential of tens of millions of commuters.

Joshua Buchalter

Thank you.

Dan Galves

Thanks, Josh.

Operator

Our next question comes from George Gianarikas with Canaccord Genuity. Please proceed with your question.

George Gianarikas

Hi, everyone. Thank you for taking my question. I was wondering if you could comment on some of the recent traction that NVIDIA has seen with their reference design and what your pitch is to OEMs in terms of total cost of ownership and why they should pick your solution. Thank you.

Amnon Shashua

At the end of the day, it's a combination of performance and cost. If you refer to Alpha-Meituan, we downloaded Alpha-Meituan. It doesn't seem like a production-worthy system. It's something nice to play with, but it's not anywhere close to production-worthy. Whether an OEM can take it and upgrade it or refine it for a production-worthy system is yet to be seen. I would add that 2016 NVIDIA had something similar with pixel labeling that they announced open source for the automotive industry. OEM, nothing really, there was no real traction for it.

Bringing something into production is tough. Taking a nice demo into production, there is a death valley in between. This is something that Mobileye is very good at. This 2,000-kilometer expedition that I mentioned in my script is very meaningful. It's an OEM taking a number of competing systems. One of them is the Mobileye system with Porsche, which is not yet ready. It's maturing over time. It's maturing this year to be ready for start-up production, but it's not yet fully matured. Doing a 2,000-kilometer expedition without us knowing the route in advance in very significant weather conditions, bad weather conditions, urban, suburban, highways, day and night, and snow. Our system really excelled. This shows that going from demo to production is an art. It's a science, an art, and something that Mobileye excels in. It's not just a matter of, here's an open source network that does something cool. Can we then refine it and bring it to production?

Just to mention, the production program we have with an OEM has about 60,000 requirements, 60,000 requirements. This is what it takes to go from a demo to a production vehicle. This is one of the strengths of Mobileye. It's not only that we are experts in AI, that we build in AI systems who are experts in machine learning. We have cost-optimized solutions. We know how to bring stuff into serious production. This is difficult.

George Gianarikas

Thank you. Maybe as a follow-up, there's a lot written about Volkswagen and their future strategy. I'm just wondering if you could please comment on your relationship there and their commitment to deploy your solutions over time. Thank you.

Nimrod Nehushtan

Yeah, I can take this. I think ultimately, the reality today is that all of the upcoming SOPs, product launches across all brands in Volkswagen Group, mostly, spanning from base ADAS in lower-priced vehicles to Robotaxi and everything in between, all of the upcoming SOPs are with Mobileye products. This is the plan of record. It has been the plan of record in the past couple of years, and it did not change. If anything, we managed to expand our business with Volkswagen in these two years, also winning strategic projects for the base segment, introducing strong ADAS for the first time with Volkswagen Group on very high-volume vehicles. We're seeing pulling additional vehicle platforms to the already-nominated products we have with them.

I think we need to distinguish between some news that comes out that serves certain interests to the realities of their planning schedules. Our experience in this industry shows that the first thing to change, if there is indeed a decision to take a different product, is these planning schedules. They did not change. If anything, they changed for the better for Mobileye. We're not seeing any evidence of change, of course. We're not seeing risk to our existing project as a consequence. Of course, we need to finish the execution and to get to the SOP date, but the business opportunity remains very, very significant for us when we will finish this execution.

George Gianarikas

Thank you.

Dan Galves

Thanks, George.

Operator

Our next question comes from Shreyas Patil with Wolfe Research. Please proceed with your question.

Shreyas Patil

Great. Thanks so much. Maybe, Amnon, just to follow up on some of your earlier comments, I'm just curious what you're seeing in the pipeline amongst OEMs. From the outside perspective, it does seem a bit jumbled. We've seen Mercedes and BMW appear to be pulling back from L3 in Europe, focusing on effectively SuperVision-like products. Ford and GM are talking about deploying their own solutions within the next few years. Others are partnering with AV players such as Nissan and Wave. How many opportunities are actually available to pursue in areas like SuperVision and Chauffeur, in your view? Have OEMs laid out their plans for autonomy over the next few years?

Amnon Shashua

I think, by and large, OEMs have not yet made up concrete plans. We see opportunities for SuperVision. We see even more opportunities for Surround ADAS. With Level 3, I believe we'll see the bigger opportunities with Level 3 as we get closer to the production with Audi on Level 3 or as we get the driver out of our robotaxi and also showing a significant cost reduction of the robotaxi stack, which we can show by the end of the year. SuperVision and Surround ADAS, we see significant opportunities, but with OEMs, it takes time. We cannot predict the timing at this point. Our focus is really the execution. Execution will bring more opportunities.

Shreyas Patil

Okay, great. Maybe just a quick modeling follow-up. I think you talked about higher DRAM costs for this year. Maybe if you could quantify that. Is that something you can pass along via price adjustments?

Amnon Shashua

The DRAM is the responsibility for our Tier 1s. Mobileye just sold the chips.

Moran Shemesh Rojansky

Yes, the DRAM we spoke about. It's in the SuperVision area where we buy the memory directive for the ECU. It's a relatively small business. We're talking just about a few million. Yes, we are passing that through to customers, but the dynamic there is changing, so it's not something that is expected to impact significantly on our cost, but it is a few million currently.

Shreyas Patil

Okay, great. Thank you.

Dan Galves

Thanks, Shreyas.

Operator

Our next question comes from Mark Delaney with Goldman Sachs. Please proceed with your question.

Mark Delaney

Yes, thank you very much for taking my question. The Company spoke to the performance of its pre-production vehicle in the U.S. with EyeQ6 High. You spoke to that doing well across urban, suburban, and highway settings and achieving your mean time between failure objectives. Can you remind investors what Mobileye is targeting for MTBF for this product, how it compares to competitors, and maybe most importantly, given what you were able to see on the unplanned route, is it catalyzing any incremental OEM business interest?

Amnon Shashua

No, we are not sharing our MTBF goals. SuperVision is an eyes-on system, so MTBF is important but not crucial as it is important for Robotaxi. There are other KPIs like comfort, not only disengagement, but also comfort, ODDs. What kind of ODDs can you satisfy? There is a long list of requirements. It is not just one number that determines the driving experience of the product. It is not something that we can share with the public. It also changes from OEM to OEM, and OEM has a lot to say about the driving experience because they set the requirements. It is not only the base technology that determines the driving experience. There is a lot that goes into it.

What I can say is that this 2,000km expedition has shown the excellence of our product, even though the product is not yet finished, especially compared to other competing demo systems that were part of this expedition. It shows that the gap, the discrepancy between all the talk that you hear, and the actual performance is huge.

Mark Delaney

My other question was related to Mobileye's efforts in AI. Now that you have Mentee Robotics' transaction completed, can you speak more to the synergies between the existing Mobileye's efforts in AI, what Mentee brings, and are you able to work better jointly to accelerate your efforts in real-world AI? Thanks.

Amnon Shashua

We are planning an AI Day around the July timeframe, where we are going to lay down our complete vision of AI. Just to give the perspective, the system, the software running today on our EyeQ6 High internally, we call it Gen 1.5. By about two months, it will be Gen 2.0. By the end of the year, it will be Gen 3.0. We are working very fast on software rewrites in order to accommodate the best AI has to offer, whether it is Gen AI, whether it is simulators, everything. We will be very transparent about it in our AI Day. We expect around July a consolidated view of how we take modern AI and bring it into physical AI, both in terms of robotics and in terms of robotics.

Dan Galves

Thank you, Mark.

Operator

Our next question comes from Luke Junk with Baird. Please proceed with your question.

Luke Junk

Thank you. First, I wanted to ask, just bigger picture, as already referenced, there has been just a lot of chatter about OEMs pulling back from L3 applications and refocusing on L2+. I am just wondering if you are seeing any broader repercussions of this, specifically in terms of surrounding ADAS and the amount of interest you are seeing at the front end of the funnel. It seems like it is really an area the market is consolidating around right now.

Amnon Shashua

I believe that we do have, we are engaging with OEMs on Level 3, but I would say that Level 2+ or SuperVision is gaining more traction with OEMs and surrounding ADAS is gaining even more traction with OEMs. I believe that driver out with the robotaxi, especially when you have a cost down path, a credible cost down path, will reignite Level 3 and Level 4, consumer Level 3 and consumer Level 4 programs with OEMs. Maybe you want to add something?

Nimrod Nehushtan

I think that the debate around Level 3 is not new. It has been going on and off. There has been cycles of excitement versus skepticism for 10 years now. Ultimately, it is a very challenging product because it requires the robotaxi performance levels, but it is a privately owned vehicle, so the cost is supposed to be significantly lower and a much more efficient system. Also, in order to have a useful product, it needs to be available in a broad enough ODD or at least in a broader enough area to satisfy the needs of the consumers.

We believe that our product, the Chauffeur product with Audi, which is progressing well, is going to satisfy these key requirements. As we get closer to or as we progress with execution, we will be able to show this and expose this to the OEMs that it is not an if question. It is a when question, and the when is imminent. Because I do not think that any OEM has question marks on the value proposition to consumers. I think it is a consensus that the ultimate value proposition to consumers is eyes off and mind off and giving back time to driver. This remains a compelling case, although OEMs maybe are more cautious in going all in and developing this when it is not clear there is an available solution. We believe that we will be providing this solution very quickly relative to others, and this can reignite the momentum with OEMs.

Luke Junk

Thank you for that. Maybe a related question. Some OEMs of Robotaxi offerings have been recently trumping the advantages of their data collection efforts. I am just curious to get an update on where Mobileye is making strides in this regard in terms of extracting more data from REM and maybe some of the specific benefits of your test fleet, both the advanced products and Robotaxi. Thank you.

Amnon Shashua

We have no shortage of data. As we mentioned a year or two years ago, we have hundreds of petabytes of data that we can leverage for our development. Not only that, we added simulators that can run a billion hours of driving experience overnight. I talked about CS. It is not that we lack data. With Robotaxi, we just need to do the validation with the final hardware in terms of the vehicle platform. This should be done in a few months from now.

Dan Galves

Thank you, Luke.

Operator

Our next question comes from Gary Mobley with Loop Capital Markets. Please proceed with your question.

Gary Mobley

Hi, guys. Thanks for taking my question. I wanted to ask you about Surround ADAS. Perhaps you can give us an update there. More specifically, looking at your top 10 OEM customers, what percentage of those have committed to conversion to Surround ADAS? Maybe you can give us an update as to the timing or contribution for revenue from Surround ADAS and the ASP impact.

Nimrod Nehushtan

I think our first Surround ADAS design announcement was roughly a year ago. It was with Volkswagen Group, which basically committed to upgrade their entry fleets to Surround ADAS starting 2028. That is just some kind of reference numbers. The average ASP is around \$100 to \$150. That is the range we referred to in the past, with similar gross margins to our base ADAS volume, which is roughly 70%. That number has remained.

Over the past two quarters, we managed to add two additional OEMs. We have today three. One is the major US OEM that we announced back at CES, which in a similar fashion to VW, decided to upgrade the entire electric fleet to Surround ADAS from base ADAS today, actually with a higher ASP than what VW has, with more content. Recently, we also announced Mahindra, the first Indian OEM to adopt Surround ADAS. Now we have three. Two of them today are top 10 customers. We believe that Mahindra represents a significant growth opportunity given that the Indian market is just now starting to adopt ADAS. In India, less than 10% of vehicles have ADAS at all. Regulation coming up in 2027 is expected to accelerate this to the higher 90s in just a couple of years, which is a huge organic opportunity for us. Through this product with Mahindra, we can benefit and be a market leader in India.

Zooming out in Surround ADAS, I think in just a year to have three design wins, two out of the top 10 OEMs with significant volumes, this in and of itself without new design wins can represent, when these will be launched, more than 10% increase in revenue on a yearly basis. Of course, as this gains momentum, as we make progress in execution, which we are, we show this to more and more OEMs, we expect this to generate more interest, and these growth numbers can be even improved in the future.

Gary Mobley

Thanks. I appreciate that color. Moran, I had more of a housekeeping question. Can you give us some context around the goodwill impairment charge in the quarter?

Moran Shemesh Rojansky

Yes. In Q1 versus our previous evaluation from December, market cap went down like 35%, so we had to do, this was a trigger for impairment assessment in the quarter. I have to say this goodwill is kind of unique in its nature, since it's goodwill pushed down to Mobileye from Intel on the acquisition of Mobileye in 2017. Even initially, it was a very significant portion of our net assets, which is not something reasonable for a company to have goodwill on its own assets.

I can say on the valuation itself, we recognize the goodwill impairment of \$3.8 billion. On the business aspect, we kept the same projections, but reflected a higher risk premium because of macroeconomic environment, geopolitical environment, so that has impacted the valuation, and we recognize this impairment in Q1.

Gary Mobley

Thank you.

Dan Galves

Thanks, Gary.

Operator

Our next question comes from Aaron Rakers with Wells Fargo. Please proceed with your question.

Aaron Rakers

Thanks for taking the question. I wanted to ask first on SuperVision. I apologize if I missed it. Can you help us appreciate the volumes that were shipped this last quarter in SuperVision? How do we—any updated views on the volumes as we start to think about the Porsche ramp going forward as we move through '26 and into '27?

Moran Shemesh Rojansky

We delivered in Q1 20,000 units. We are seeing stability in demand. Twenty twenty-five was high in SuperVision. For Q2, we estimate 15,000 units, so roughly the same number. We are still pretty conservative for the second half. For the full year, we are still estimating like 50,000 units or a bit more, kind of consistent or a bit lower number than in 2025 in case that demand is changing or there is any further impact, but it is not something that we are seeing, so orders keep coming. This is a business with stability for the last few quarters. As for Porsche, we are not anticipating any Porsche volume in 2026.

Amnon Shashua

The ramp-up will start in 2027, towards the second half of the year.

Dan Galves

We did not change our SuperVision volume assumptions for the year.

Aaron Rakers

Perfect. As a quick follow-up, I want to go back to the memory question. I know that you guys talked about your partners obviously handling the pricing dynamics, but at a higher level in the current situation that we are under, are you seeing any risk from just actual supply of memory impacting any of your OEM customers or your partners from a procurement perspective? Is that a headwind that we should think about, or have you not seen any of that? Thank you.

Nimrod Nehushtan

We did not see direct reporting or direct planning from our customers to accommodate for this, so our revised guidance reflects the recent discussions we had with our customers. Of course, they baked in all of these risks into their current predictions and estimates. Of course, we need to keep a close tabs on the situation and monitor it, but we are not seeing any direct imminent change.

Aaron Rakers

Thank you.

Dan Galves

Thank you. Maria, this next question will be our last question today.

Operator

Okay. Our last question will be from Steven Fox with Fox Advisors. Please proceed with your question.

Steven Fox

Hi. Good morning. I'll try to make it a good one. I was wondering if you can go back and maybe expand on the initial comments you made in the prepared remarks about India. It sounded like you were saying you're more bullish about it. How much, and if you could talk about why and whether there's any influence potentially down the road from your position with Chinese exports? Thanks very much.

Nimrod Nehushtan

Yeah. The Indian market has been lagging in terms of ADAS adoption rates compared to Europe, US, China, Japan, and Korea. Recent numbers suggest roughly 8% ADAS take rates in the Indian market, which refers to vehicles sold in India by both Indian OEMs and foreign OEMs. Just for reference, the Indian automotive market is roughly 5 million units per year. In a pure size, it's a very significant opportunity. There is a regulation coming up in 2027, which is expected to incentivize and mandate OEMs to adopt ADAS solutions starting 2027, and we expect this to increase the ADAS penetration rate from the 8% it is today to 70%, 80%, 90% in a few years, in two or three years.

Now, we are today very strong with Indian OEMs. It's the two major Indian OEMs. This recent announcement of the Tehran ADAS SuperVision with Mahindra reflects the kind of the strength and leadership position we have. Also, that the Indian market is not necessarily just for entry solutions, but also for more advanced, higher ASP products, as well as there is more and more demand by Indian consumers for advanced functionalities. We think that in Mahindra's case, for example, ADAS has been ranked as one of the key reasons for Mahindra's increased sales year on year. They've been growing very fast, and their customers vote for ADAS as one of the reasons for it. We believe that there is a strong demand by consumers. There is going to be a regulatory push, and just the sheer size of the population all suggest that it can be an organic growth opportunity, and we're very well positioned by not just Mahindra, also others that are selling into the Indian market.

Steven Fox

Thank you.

Operator

We have reached the end of our question-and-answer session. I would now like to turn the floor back over to Mr. Galves for closing comments.

Dan Galves

Thanks a lot, Maria, and to the Mobileye Management team, and thanks everyone for joining the call. We will talk to you next quarter. Thank you.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.