

Qnity: Is the AI materials thesis structural or cyclical?

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A new company, an old question

DuPont completed the separation of its Electronics business on November 1, 2025. Qnity began trading on the New York Stock Exchange two days later, on November 3. The new company brought together materials for semiconductor fabrication and electronic interconnects, including products used in advanced packaging, printed circuit boards, thermal management, lithography and wafer processing.

Qnity's proposition is that rising chip complexity and AI, high-performance computing and connectivity demand will require more advanced materials and more integrated technical support. The company says its materials are incorporated into customer technology roadmaps and that more layers, advanced nodes and packaging increase its content opportunity. Investors now have an independent company to assess, but not yet a long standalone record.

As an outside investor, you must decide how to classify the evidence available by October 3, 2026. Is Qnity's growth primarily structural-technology content, product wins and share gains-or is much of it a cyclical recovery in semiconductor-fab utilization and customer spending? Does the evidence support a mix, or is it too early to distinguish? Your task is to state a confidence level, explain what supports it, and identify what would change your view.

The cycle behind the growth story

The Electronics business reported sales of \$4.755 billion in 2022 and \$4.035 billion in 2023, followed by a recovery to \$4.335 billion in 2024 and \$4.754 billion in 2025. Qnity attributed the 2023 decline to lower semiconductor fab utilization and weaker end markets, as well as lower consumer-electronics demand and customer inventory destocking. It describes semiconductor demand as cyclical and says past downturns have reduced revenue and caused operating losses.

Reported sales recovered 17.8% from the 2023 low to 2025. That calculation does not separate an end-market rebound from technology-driven content gains, product launches or market-share changes. FY2025 also includes the period before Qnity became independent, so it is not a full year of standalone results.

Fiscal year	Sales (\$bn)	Reported change	Company context
2022	4.755	-	Historical Electronics business.
2023	4.035	-15%	Lower volume; company cited weak fab utilization, end markets and destocking.
2024	4.335	+7%	Recovery; volume up, partly offset by price/mix and currency.
2025	4.754	+10%	Pre- and post-separation year; both segments grew.

Source: Qnity 2025 Form 10-K, MD&A pp. 37-41. Reported annual growth and bridge figures are rounded. The 17.8% recovery is calculated as $(\$4.754\text{bn} \div \$4.035\text{bn}) - 1$.

Two segments, two growth patterns

In the second quarter of 2026, Qnity reported sales of \$1.429 billion, up 22% year over year. First-half sales increased 20% to \$2.744 billion. Management attributed the second-quarter growth primarily to 23% greater sales volume.

Semiconductor Technologies sells materials used in wafer fabrication and related processes. Q2 segment sales rose 16% to \$744 million, with volume up 18%. Price and product mix and currency each reduced growth by about one percentage point. The company cited improved customer utilization and demand for AI applications, including advanced nodes, advanced packaging and high-bandwidth memory. Adjusted Operating EBITDA increased 12% to \$253 million. Management said volume growth was partly offset by investment in R&D and supply chain.

Interconnect Solutions supplies materials and solutions for advanced packaging, printed circuit boards, signal integrity, thermal and power management. Q2 segment sales rose 30% to \$685 million. Volume increased 28%, while currency added about two points. Management cited AI-driven technology ramps, additional content and share gains in advanced packaging, AI PCBs and thermal management. Adjusted Operating EBITDA increased 44% to \$197 million; management cited volume, mix and productivity, partly offset by raw-material costs and selected growth investments.

Second quarter 2026	Semiconductor Technologies	Interconnect Solutions
Sales	\$744m	\$685m
Sales growth	+16%	+30%
Volume change	+18%	+28%
Price/product mix	-1%	~0%
Currency	-1%	+2%
Adjusted Operating EBITDA	\$253m	\$197m

Second quarter 2026	Semiconductor Technologies	Interconnect Solutions
Adjusted EBITDA growth	+12%	+44%

Source: Qnity Q2 2026 Form 10-Q, segment results pp. 35-37. “~0%” reflects an em dash in the filing’s rounded bridge. Adjusted Operating EBITDA is a non-GAAP segment measure. Management’s explanations are attributed, not independently identified causes.

The different segment results offer clues, but not a product-level answer. For example, revenue growth exceeded adjusted EBITDA growth in Semiconductor Technologies, while the reverse was true in Interconnect Solutions. The filings do not disclose the revenue, margin or return contribution of AI, HBM, advanced packaging, customer utilization, new product launches or share gains separately.

From capability to customer economics

Qnity has announced a broader advanced-packaging offer that combines metallization, bumping, dielectric and fine-line patterning. Its August 25 release describes a 2-micrometer line/space metallization capability and lists solutions for advanced packaging. On August 31, the company introduced Stackplane CMP slurry families for hybrid bonding, through-silicon vias, polymer CMP and emerging panel-level processes. The company states that the Stackplane platform combines commercialized products with next-generation technologies. An August 20 announcement described next-generation inspection capabilities developed with KLA.

These announcements show product development and the intended process applications. They do not report which named customers qualified the products, how many moved into production, the resulting yield or reliability, or the revenue and margin contribution. A technical capability can be strategically valuable, but public evidence does not yet translate those announcements into commercial wins or customer economics.

Qnity reports that more than 90% of 2025 sales came from products used during manufacturing or incorporated into final electronic devices. This describes how products are used; it does not reveal how often a specific customer reorders, contract length or stability of volumes. Substantially all revenue is product sales. Purchase orders, sometimes under master supply agreements, generally have an order-to-performance period of one year or less. The company describes “strong renewal rates,” but does not quantify them.

Samsung represented 9% of Q2 sales and 10% of first-half sales in 2026; Taiwan Semiconductor Manufacturing Company (TSMC) represented 8% in each period. Most revenue from both customers was in Semiconductor Technologies. These figures show that a small number of major customers matter, but the filing does not reveal their product mix, application exposure, growth rate or share of future demand.

A competitive field with shared tailwinds

Entegris overlaps with Qnity in materials for semiconductor manufacturing and advanced packaging. Its 2025 Form 10-K describes CMP slurries and pads, deposition materials, etch and clean chemistries, and purity and contamination-control systems. In its second quarter of 2026, Entegris reported sales of \$883 million and management cited improving semiconductor demand and accelerating customer capital investment.

Both companies therefore point to a market rebound and technology demand. Their financial results are not directly comparable: they have different portfolio and segment definitions, and

Entegris' quarter ended June 27, while Qnity's ended June 30. The disclosures do not provide a like-for-like market-share or profitability comparison. Qnity also identifies competitors with established customer relationships, pricing pressure, regional suppliers and customer decisions to manufacture internally as risks.

The standalone test

The separation may let Qnity focus on its own semiconductor and electronics customers and direct resources to its own roadmap. DuPont's pre-spin information statement presented focus and tailored capital allocation as reasons for the separation; those were expected benefits, not evidence that the benefits occurred ([information statement](#), pp. 23-25, 63). Academic studies identify managerial attention and capital-allocation responsiveness as potential benefits of spin-offs. But independence has costs, and historical divisional economics are an imperfect baseline.

Qnity's 2025 Form 10-K estimated about \$180 million in one-time information-technology setup costs over two years, excluding maintenance and employee-related expenditures. It also reported that some historical costs were allocated by DuPont and may not reflect standalone costs. A transition-services agreement, new company functions and specified DuPont liabilities add to the transition. In February 2026, Qnity launched a multi-year transformation plan. It recorded \$70 million of plan charges in the first half, including \$48 million for IT independence; the company expected most remaining plan cash outflows in the next two years.

Qnity reported first-half operating cash flow of \$376 million, down from \$480 million in the prior-year period. Management attributed the decline mainly to interest on debt that was not outstanding in the prior period and higher working capital as sales and inventory increased. Cash capital expenditures were \$212 million, compared with \$153 million. Total debt at June 30, 2026 was \$4.020 billion. These figures show that growth, inventory, investment and the standalone capital structure interact, but they do not isolate product returns or the effect of the spin-off.

On August 4, Qnity raised its full-year 2026 outlook to sales of \$5.55-\$5.65 billion, Adjusted Operating EBITDA of \$1.675-\$1.725 billion and Adjusted Free Cash Flow of \$600-\$700 million. These are management forecasts, not actual results. The company's Adjusted Free Cash Flow measure excludes IT independence costs, transformation/integration charges and certain spin-related items; the company did not provide a forward reconciliation to GAAP. The exclusions matter when evaluating the economics of becoming standalone.

What the research adds

Feldman (2016) studies capital allocation at the parent companies that undertake spin-offs. The sample includes 196 Fortune 500 parents and 228 completed spin-offs from 1995 through 2009, compared with propensity-score-matched controls. The author measures efficiency as how strongly segment capital spending responds to industry investment opportunities. The main regression includes firm and year fixed effects. Its post-spin-off interaction is positive and statistically significant at 5%; the author's interpretation is that a one-standard-deviation increase in industry opportunity corresponds to an increase of 0.018 in segment capex/assets, about 25% of the sample mean. The effect is significant in the first two years but not the third.

This study gives one reason a separation might improve attention to investment opportunities. It measures the divesting parents' retained segments, not Qnity's sales growth, cash returns or performance as a spun-off materials supplier. Chemmanur, Krishnan and Nandy (2014) report in an accessible article preview that, using U.S. Census plant-level data with treatment-effect

methods and propensity-score matching, productivity improvements after spin-offs were associated with cost savings rather than sales growth, primarily in plants retained by parents. The full article was not accessible for this case; its result is a limited counterpoint, not a transfer estimate. A 2009 review record of 26 spin-off event studies reports positive average short-window abnormal returns of 3.02% but says later, more refined studies do not consistently find long-run outperformance. That literature summary was consulted at abstract level only; announcement returns do not resolve Qnity's operating outlook.

Assignment

Use only information available by October 3, 2026.

1. Classify Qnity's growth evidence as predominantly structural, a mix of structural and cyclical, or too early to distinguish. State your confidence and identify the strongest evidence on both sides.
2. Explain how you would separate technology/content growth and share gains from utilization, end-market recovery, inventory, pricing/mix and currency.
3. Identify four or more observable indicators for the next several reporting periods that could strengthen or weaken your assessment. State what each indicator would and would not prove.
4. Explain how the academic evidence informs your view of a new spin-off and where the findings cannot be transferred to Qnity.

Qnity had scheduled its third-quarter 2026 results after this cutoff. Do not use later results. Do not infer a project return, market share, customer qualification or product-level revenue from aggregate segment data or product announcements. Do not treat management's sales guidance as an achieved outcome.

Sources

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