NASDAQ:ADTN Q3 2026 Earnings Call Transcript

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Cara | Conference Call Operator:

Ladies and gentlemen, thank you for standing by and welcome to the ADTRAN Holdings, Inc. 3rd Quarter 2026 Earnings Release Conference Call. After today's prepared remarks, we will host a question and answer session. If you would like to ask a question, please press star 1 to raise your hand. To withdraw your question, press star 1 again. During the course of the conference call, ADTRAN representatives expect to make forward-looking statements that reflect management's best judgment based on factors currently known. However, these statements involve risks and uncertainties, including the successful development and market acceptance of our products, the ability of our third-party suppliers to supply components and products, Our ability to convert our backlog into revenue, our ability to maintain current expected delivery schedules, competitive pricing and acceptance of our products, intellectual property manners, the effect of economic conditions, the impact of tariffs and trade policy, and other risk factors described in our most recent annual report on Form 10-K, and in our quarterly filings with the Securities and Exchange Commission. ATTRAN Holdings assumes no obligation to update any such forward-looking statements. During today's call, management will refer to certain non-GAAP financial measures. Reconciliations of GAAP to non-GAAP measures and certain additional information are also included in our investor presentation and our earnings release. Atran Holdings has not provided reconciliations of its second quarter 2026 outlook with regard to non-GAAP operating margins because it cannot predict and quantify without unreasonable effort all the adjustments that may occur during the period. The investor presentation has been updated and is available for download on the ADTRAN investor relations website. Hosting today's call is Tom Stanton, ADTRAN Holdings Chief Executive Officer and Chairman of the Board, and Timothy Santo, Senior Vice President and Chief Financial Officer. It is now my pleasure to turn the call over to Tom Stanton, Chief Executive Officer of ADTRAN Holdings. Sir, please go ahead.

Tom Stanton | Chief Executive Officer and Chairman of the Board:

Thank you, Cara. Good morning, everyone. AdTrend delivered third quarter results slightly below the midpoint of our guidance range while navigating a challenging supply environment. Importantly, the underlying trends of our business remain encouraging. We continue to see strength in optical, growing momentum with hyperscalers, and progress in Europe. Together, these growth drivers are expanding our reach across service provider, cloud providers, and enterprise markets, helping us build a broader and more diversified customer base. Optical remained a primary growth engine with revenue increasing 11% year-over-year and 4% sequentially, supported by particularly strong performance in the U.S. These results are consistent with our expectations entering the year for growth to build throughout 2026. In access and aggregation, revenue grew 5% year-over-year, led by strength in Europe despite a slowdown with one of our largest customers, due to adjustments in timing of ongoing projects, as we have previously discussed. We are pleased with where we are with that customer and still expect orders to return to normalized levels in Q1 of next year. In subscriber solutions, revenue increased 4% sequentially, led by carrier Ethernet. Demand remains strong as operators continue to expand fiber connectivity to homes, businesses, and critical infrastructure sites and as expectations for speed and reliability keep rising. Taken together, these results reflect a demand environment that remains solid across our core markets, even as supply availability continues to influence timing. At the same time, AI is reshaping network requirements, driving the need for faster, more secure and more reliable connectivity. Our strategy remains focused on three key areas, helping service providers build high-speed fiber networks with AI-driven automation, growing our business with cloud providers as they build out AI infrastructure, and expanding our position in enterprise and critical infrastructure. Each represents an important growth opportunity for ADTRAN.

Amol Dhaliwal | Analyst, Rosenblatt Securities:

I'll start with service providers.

Tom Stanton | Chief Executive Officer and Chairman of the Board:

AI is driving growing bandwidth demand as operators connect cloud and AI infrastructure and carry increasing network traffic, leading them to expand network capacity and translating into stronger demand for our optical solutions. That AI build-out is led by hyperscalers, and it's easy to understand why some are increasingly their focus and resources there. We are participating in that growth as well, and as you'll hear in a moment, but hyperscaler networks don't exist in isolation. The growth in and between data centers ultimately extends into the carrier networks that connect them to enterprises, homes, and each other. And that growth can't reach its full potential unless those networks are upgraded to carry it. So while we are growing with cloud providers, we are deliberately staying focused on the service providers that connect them, where our deep customer relationships and differentiated technology give us a strong position. and as some competitors turn their attention elsewhere, we intend to capture the opportunity that they create. Higher bandwidth alone, however, is not enough. Networks also need to be secure, resilient and trusted. This is continuing to increase pressure on high risk vendor replacement, which remains a key growth driver for the company. Although operators across Europe are already moving away from high risk vendors, particularly in new deployments, the proposed EU Cybersecurity Act II, which would establish a stronger framework for securing Europe's technology supply chains and would accelerate the replacement of high-risk equipment already in networks. Our success in Europe demonstrates the strength of our position, and we believe we can benefit as these replacement programs expand. We are also seeing continued investment in access network upgrades, to support multi-gigabit services as connected homes require greater speed, reliability, and security. As AI applications move into homes and businesses, the access network increasingly determines the user's experience. Across the US and Europe, demand for higher speed broadband continues to drive investment in higher capacity access networks and CPE, supported in part by broadband programs such as BEAD. AI is also reshaping how these networks are operated. We introduced AI-driven automation with Mosaic One Clarity and have since augmented those capabilities with Mosaic One Fabric and an expanded suite of Mosaic One agents. These agents are designed to automate routine traffic management tasks and proactively identify and resolve issues. Fabric also gives operators the unique ability to build and deploy their own agents providing greater autonomy and helping them automate across complex multi-vendor network environments. The response from operators of all sizes has been extremely positive, and we believe Mosaic One Fabric positions operators to lead this transition. Turning to our second growth area, cloud and AI infrastructure, here our opportunity goes beyond connecting AI infrastructure with carriers. We are positioning AdTrans to participate directly in its build-out with solutions at three critical points in the cloud network architecture. Data Center Interconnect is where we have long served cloud providers, and we are starting to see the benefits of our investments in this area. Revenue from hyperscaler customers grew more than 200% year over year. Inside the Data Center, AI is creating unprecedented bandwidth demand as increasingly large clusters of GPUs must be connected to support AI workloads. Building on our innovation in low power, high performance optics, we are extending our technology to address this growing opportunity. Our LightWave 800 development remains on track with customer trials expected to begin in the first half of next year and production scaling in the second. Customer engagement remains very positive. at the cloud handoff where cloud providers connect to service providers or other cloud providers, our MicroMux Quattro solution is scheduled for release in the first half of 2027. It is generating significant interest from hyperscalers, content providers, and wholesale network providers. Moving to enterprise and critical infrastructure, this remains a higher growth area for us. Enterprise continues to deliver double-digit year-over-year growth, and we see good momentum as customers invest and Higher Speed Networks with a growing focus on security and resiliency. We believe we have one of the most competitive portfolios in the market with advanced quantum safe networking capabilities embedded into our optical and Ethernet solutions. We see this level of security increasingly becoming a fundamental requirement for networks supporting the AI-driven economy. Shifting to product cost and pricing, we continue to operate in a dynamic environment reported gross margins benefited

from IEPA tariff refunds this quarter. On a more normalized basis, higher component costs combined with product and customer mix continued to pressure margins. We continue to work actively with suppliers, implement product redesigns, and pursue pricing adjustments to help offset these pressures. Looking ahead, we continue to see strength in optical across both service provider and cloud markets, solid growth in enterprise, and additional opportunities in broadband as high-risk vendor replacement programs gain momentum. We remain focused on addressing gross margin pressures, maintaining disciplined expense management and achieving our long-term target of 10% non-GAAP operating margin. To close, this was a quarter of continued progress across several of our strategic objectives. Our priorities are unchanged, maintaining tight expense control, generating cash and converting our strong pipeline into revenue. With that, I'll turn the call over to Tim to review our financial results in greater detail. Tim?

Timothy Santo | Senior Vice President and Chief Financial Officer:

Thank you, Tom, and thank you for all joining us today. Revenue for the quarter was $281.2 million, up approximately 1% from the prior year and in line with the prior quarter. Geographically, U.S. revenue was $128 million, representing approximately 46% of total revenue, up 6% year over year. Non-U.S. revenue was $153.2 million, representing approximately 54% of total revenue and down 4% year over year. By product category, optical networking solutions revenue was $114.5 million, or 41% of total revenue, increasing 11% year over year and 4% sequentially. Access and aggregation solutions revenue was $78.5 million, or approximately 28% of total revenue, up 5% year-over-year, but down 10% sequentially. Subscriber Solutions revenue was $88.1 million, or 31% of total revenue, down 13% year-over-year and up 4% sequentially. Turning to margins, non-GAAP gross margin was 42.1%, a sequential increase from 40.7% in the second quarter of 2026. Gross margin benefited approximately 200 basis points from IEPA tariff refunds received during the quarter. Non-GAAP operating expenses were $104.2 million compared to $103.9 million in the second quarter of 2026 and $102.4 million in the third quarter of 2025. We continue to take proactive measures to maintain cost discipline and offset inflationary pressures. Non-GAAP operating income was $14.1 million, resulting in a non-GAAP operating margin of 5%. This is compared to $15.1 million and 5.4% on a year-over-year basis and 10.6 million and 3.8% on a sequential basis. Non-GAAP tax expense during the quarter was $3.8 million, reflecting and effective non-GAAP tax rate of 31.4%. Non-GAAP net income attributable to ADTRAN Holdings was $7.1 million or $0.09 per diluted share compared to $0.05 in the third quarter of 2025 and $0.04 in the prior quarter. Turning now to the balance sheet and cash flow. Working capital increased during the quarter resulting from Higher accounts receivable in inventory, partially offset by increased accounts payable. DSO increased to 77 days, reflecting higher billings and the timing of collections. Inventory increased to $227.4 million, and accounts payable increased to $179 million, reflecting purchasing activity in the current supply environment. Operating cash flow was negative $24.5 million during the quarter, resulting from negative free cash flow of $39.4 million. During the quarter, we repurchased approximately $18 million of AdTran Network's SE shares, further reducing the minority ownership and increasing AdTran Holdings ownership to 73.4%. We ended the quarter with $71.7 million of cash, cash equivalents, and restricted cash compared to $79.2 million at June 30, 2026. We expect collections to increase and working capital levels to return to a more normalized level in the fourth quarter. Turning to the fourth quarter outlook, we expect revenue to be between $272 million and $292 million and Non-Gap Operating Margin to be between 1% and 5%, overcoming historical seasonality, availability of supply and timing of large customer projects. I'd like to note that we'll be participating in the Craig Hallam Alpha Select Conference in New York on November 17th and plan to attend the 29th Annual Needham Growth Conference in January. We hope to see many of you there. And with that, I will turn the call back to Tom.

Tom Stanton | Chief Executive Officer and Chairman of the Board:

All right. Thanks very much, Tim. Kara would like to go ahead and open up to any questions people may have.

Cara | Conference Call Operator:

Yes, we will now begin the question and answer session. If you would like to ask a question, please press star one to raise your hand and to withdraw your question, press star one again. We just ask that you pick up your handset when asking a question to allow for optimum sound quality. And if you're muted locally, please remember to unmute your device. Please stand by while we compile the Q&A roster. Your first question comes from the line of Irvin Liu from Evercore ISI. Your line is open. Please go ahead.

Irvin Liu | Analyst, Evercore ISI:

Hi, good morning, and thank you for the question. I had one and a follow-up. First, Tom, are you able to quantify the revenue impact, if any, related to the current supply environment for Q3? Just in other words, has the availability of supply impacted your ability to ship product or has no supply been mostly a cost headwind so far?

Tom Stanton | Chief Executive Officer and Chairman of the Board:

No, it definitely impacted our ability to ship product. It did its last couple of quarters it has, and we continue to see it be, you know, something that we're having to manage around. But, you know, I would say there was tens of millions of dollars we could have shipped if we had more supply.

Irvin Liu | Analyst, Evercore ISI:

Got it. Thank you. And then for my follow-up, I understand you typically guide one quarter at a time, but to the extent that you can, are you able to provide any sort of preliminary thoughts into 2027? Should we still expect high-risk vendor replacement to be a tailwind? And, you know, does the B program become more meaningful? And just how are you thinking about supply and perhaps contribution from the LightWave 800 or MicroMux Potro?

Tom Stanton | Chief Executive Officer and Chairman of the Board:

Sure. That's a... That's a bunch of questions. So let me start with just kind of a bead will be stronger next year than this year. That's just kind of getting started. And we expect that to be kind of a multi-year program. The vendor replacement in Europe is just an ongoing, continual thing. I think there's a general belief and when I say that, that's not just ADTRAN speaking. There's a general belief that activity around vendor replacement will pick up and that's because of the legislation, CSA2, that's being right now negotiated in Europe and current thoughts are that that will be finalized probably early next year. That itself kind of puts some specific laws in place that continue to drive positive pressure towards getting that vendor replacement done. As far as LightWave, I mentioned it in my comments, we expect to be able to ship it. It'll be towards the tail end of next year where we expect really meaningful supply availability, and we will be trialing that in the first half. Quattro is about six months ahead of that, so we should be in production right around the turn of the year. So those should be positive. They will be because they're all incremental positive contributors to us. I see right now the environment we're in, which is very much a supply constrained environment, continuing on. So I think our biggest hurdles for next year, our biggest headwind for next year is just going to be continuing to get enough

supply.

Irvin Liu | Analyst, Evercore ISI:

Got it. Thanks for the call. I appreciate it. Okay. All right.

Cara | Conference Call Operator:

Your next call comes from the line of Ryan Koontz with Needham. Your line is open. Please go ahead.

Jeff Hobson | Analyst, Needham & Company:

Hi. This is Jeff Hobson on for Ryan. Thank you for the question. I'm just trying to understand, is there any specific component that's hard to get a hold of, and has that been changing? over the past couple quarters, or it's the same cast of components?

Tom Stanton | Chief Executive Officer and Chairman of the Board:

I'd say generally the same ones that were very problematic coming into the year or last quarter continue to be problematic, and that's typically optics, lasers, pump lasers, just about many pieces of our optics solution. There are some semiconductor shortages or tightness. and, of course, we're seeing price inflation in semiconductor as well. Memory continues to be a problem. I had mentioned, I believe, on the last call that although that's been problematic, at least it seems stable and that you can get supply. And I would still say that that's true. I would say the only change from, let's say, now versus six months ago is those components are difficult But at the same time, you're seeing a new base of components that are just lead times are extending. And PC boards is a good example of that, where we've traditionally never seen PC boards. Even in the downturn, the supply crisis, we didn't see this kind of tightness in PC boards. So us being able to forecast better and continue to reach out with PLs farther into the cycle is becoming more important.

Jeff Hobson | Analyst, Needham & Company:

That's very helpful. And maybe just in Europe, any update on just general RFP activity that you expect to translate to AdTrend revenue over the next 12 months?

Tom Stanton | Chief Executive Officer and Chairman of the Board:

Yeah, we've got ongoing. In fact, we just had one submitted yesterday of a fairly good size. So yeah, I mean, You know, each there are multiple components that have to be replaced or that have to be first resourced and then replaced. And and there are there are actually, you know, if I think about just the one yesterday, you know, that that was a full out replacement over four years. So that activity is just ongoing.

Jeff Hobson | Analyst, Needham & Company:

Very helpful. Thank you for the question.

Tom Stanton | Chief Executive Officer and Chairman of the Board:

Okay.

Cara | Conference Call Operator:

Your next question comes in the line of Michael Genovese with Rosenblatt Securities. Your line is open. Please go ahead.

Amol Dhaliwal | Analyst, Rosenblatt Securities:

Hi, this is Amol Dhaliwal on for Mike Genovese. Thank you for the question. So touching on what you said earlier, excluding the 200 base point benefit from refunds, the gross margin was roughly about 40%. I was wondering if you could double click on that number and share how much the pressure was component cost versus change in product mix and once the supply conditions begin to normalize. How much of the pressure is temporary headwinds versus structural or mixed-based? Thank you.

Tom Stanton | Chief Executive Officer and Chairman of the Board:

Yeah, good question. I think, without a doubt, the overarching thing is supply cost and increases in our supply cost. We did get hurt some by mix. As some of you know, we've gotten some of our European businesses doesn't keep back on into Q1. There's a particular mix associated with that. But I'm going to tell you, just generally speaking, I mean, you know, it's 80, 90 percent supply cost. We wouldn't be having this discussion if we didn't have the acceleration in supply cost. All right. Thank you. Okay.

Cara | Conference Call Operator:

Your next question comes in the line of Christian Schwab with Craig Hallam. Your line is open. Please go ahead.

Christian Schwab | Analyst, Craig-Hallum:

Thanks for taking my question. Tom, I just would like an explanation with some semblance of clarity if you can provide it on attaining eventually your 10% non-GAAP operating margin target. It sounds like maybe that's passing on supply costs or mix or et cetera. I'm just wondering if you can elaborate on, we haven't operated at that in quite some time, just the steps that we can take that are under your control to get there, I guess is what I'm asking.

Tom Stanton | Chief Executive Officer and Chairman of the Board:

Yeah, good. A fair question. So the thing that's hurting us now that's kind of out of what our plan was is the impact on gross margins. We are stepping through price increases, and we have new redesigns that are coming online. In fact, we have some of them that will be coming online early next year, both in the optics space and in the CPE space. Those will help. The question is, what does the supply chain do between now and then? And are we able to continue to actually make up ground or just continue in the position that we're in today? We are also passing on price increases. We have a price increase that has been put in effect just a recent increase that covers about 70% of our customers. And the rest of them will be coming online in early next year. So we're continuing to make those movements. and the real answer to your question, it's very difficult to forecast that gross margin. We do think mixed shift will be better next year. We think that our

optical sales and access will benefit from increased sales next year, which is typically positive to gross margins. But yeah, that's really the question. I mean, our levers are two. We have operating expense to the extent that We control that and then we have gross margins and gross margins. We continue to do this pieces we can do on our side, but there's a piece that is out of our control, which is the supply chain cost itself or the component cost itself. Yeah, I'm not really ready to forecast next year, but we have two pieces that are within our control.

Christian Schwab | Analyst, Craig-Hallum:

Great. Thank you. No other questions. Okay.

Cara | Conference Call Operator:

Your next question comes from the line of Dave Kang with B Reilly. Your line is open. Please go ahead.

Dave Kang | Analyst, B. Riley:

Yes. First question is on the hyperscaler segment. It was up 20% year over year. Just wondering how it performed sequentially and what is that in terms of percentage of revenue?

Tom Stanton | Chief Executive Officer and Chairman of the Board:

I don't think we actually break that out as a percentage of revenue. I think last quarter, Tim, can you help me here? Last quarter it was up about 100% year over year last quarter. You keep growing 100% and 200% and it's going to be meaningful no matter what. But do you have any help on that?

Dave Kang | Analyst, B. Riley:

TIMOTHY STAPLES Yeah, we can take that offline then. Just on the micro MOCs and LPO activities, just wondering how Those trials are progressing. And have you added any new customers trialing your products, data center products?

Tom Stanton | Chief Executive Officer and Chairman of the Board:

Yeah, we have some OEMs as well as some hyperscalers themselves. Some of them have pushed OEMs to come our way for both of those products. The Quattro right now, we have some units that are kind of very early units that are out in testing. And LightWave, not yet. So I would expect that, though, early in Q1.

Timothy Santo | Senior Vice President and Chief Financial Officer:

HyperScaler quarter over quarter was about 20%.

Dave Kang | Analyst, B. Riley:

Oh, 20%. Got it. So I think last quarter you said it was about 10% of revenue, so it should be a little bit higher than 10%.

Amol Dhaliwal | Analyst, Rosenblatt Securities:

for third quarter. Sounds like. That's right.

Dave Kang | Analyst, B. Riley:

Yeah.

Amol Dhaliwal | Analyst, Rosenblatt Securities:

Yeah.

Dave Kang | Analyst, B. Riley:

Okay. And my last question is on the access segment. Can you talk about seasonality? I mean, should we, before next year, should we expect, you know, typical first half stronger than second half? Is that how we should think about seasonality?

Tom Stanton | Chief Executive Officer and Chairman of the Board:

Yeah, I'm going to have to take a little bit out of our norm. So first of all, seasonality in the fourth quarter is access is typically down. and then it typically comes back up in first quarter. We have a couple of customers that drive that number pretty significantly. Being as one of those customers is really not buying a lot in access and ag through the end of this year, we would expect the first half of next year to be fairly strong. It's too early for me to talk about the second half next year. Got it. Thank you.

Cara | Conference Call Operator:

Your next question comes from the line of George Nauder with Wolf Research. Your line is open. Please go ahead.

George Notter | Analyst, Wolfe Research:

Hey, guys. I just have one question about securing supply. So it sounded like on the LightWave product, you'd start to ramp really second half next year. Are you securing supply for that today? Because I know some lead times on some products or components can be a year plus. I was just wondering how you're navigating the environment from that perspective.

Tom Stanton | Chief Executive Officer and Chairman of the Board:

Yeah, we're securing supply commitments. So we're trying to secure capacity. And to be very honest here, it's the tail end of next year. So don't expect a whole lot of shipments in Q3 for LightWave. But we are securing commitments for capacity. Got it. Thanks so much. Mm-hmm.

Cara | Conference Call Operator:

Your next question comes to the line of Bill Dozella with Titan Capital Management. Your line is open. Please go ahead.

Bill Dezellem | Analyst, Tieton Capital Management:

Thank you. Let me start with the risk vendor. Would you please discuss in more detail the legislation that's taking place in Europe and the timing of that legislation coming to fruition? and the implications of it, not only in terms of the replacement that would need to be done, but the timeframe at which it would need to be accomplished by?

Tom Stanton | Chief Executive Officer and Chairman of the Board:

Yeah, so the legislation does a few things. First of all, it's been in the works now for well over a year. So hopefully we're coming to the end of the process. There is some proposed language that you can find. I think if you do a search on the internet right now, you can see some of the proposed language that's are currently contemplated. There are a few things that are still yet undetermined that aren't agreed upon, but in general the concept is you stop buying and then you have a period of time by which you have to remove and replace all of the offending vendor equipment in your network. The legislation itself in getting that put into law, I think, of course, is a positive catalyst just for ongoing business. The dates associated with full replacement, like I said, aren't decided yet, but right now I think it's generally contemplated to be around 2035 to actually have all the equipment ripped out. But no new equipment would be effectively right away.

Bill Dezellem | Analyst, Tieton Capital Management:

Great, that's helpful. And given the pace that legislation can move, even though it's a year into the process, the implication that there may be another year or more, or do you see momentum behind this? And apologies that I haven't paid close attention to just how this is picking up or not.

Tom Stanton | Chief Executive Officer and Chairman of the Board:

Yeah, no problem. I would tell you all of our investors, that this is important legislation for ADTRAN. I mean, we are the biggest beneficiary of this legislation being approved. You're right about the, you know, it being a, it is an EU rule, right? So it's not just one country. So there are multiple countries that have a vote. The current thought is, and I would say that that's kind of the way that the participants are viewing it, is that it will be done early next year. But having said that, this is multi-government legislation. So it's something you wouldn't want to bet on. But that is literally the current time frame is actually first half of next year.

Bill Dezellem | Analyst, Tieton Capital Management:

Okay, that is helpful. And taking this one step further, the stop buying the high-risk vendors, how much revenue do the high-risk vendors currently earn each year? And really the spirit of that question is trying to understand the magnitude that we're talking about here at this point in, I guess, in 2026 and seven.

Tom Stanton | Chief Executive Officer and Chairman of the Board:

Yeah, so we actually, Commissioner and Independent Study to actually look at that. And I think it was, yeah, in 2025, that number was somewhere in the mid 800 millions of directly relatable to our equipment on an annual basis. And I don't think that that's, I would still have to think we're in the same ballpark at this point. And The bigger piece, of course, is if they do get this legislation or when they do get this legislation approved, there's a solid $10 billion worth of equipment that's got to be replaced.

Bill Dezellem | Analyst, Tieton Capital Management:

That's helpful. And I really appreciate all that color, Tom. And then given that we're only 35 minutes into the call, I am going to ask you to dive into more detail, if you would, on the data center activity in terms of what you all are doing today and then the magnitude of the opportunity that your new products could lead to if they are as successful as you think they will be.

Tom Stanton | Chief Executive Officer and Chairman of the Board:

Yeah, so what we're doing today is mainly data center and many others. So we're seeing some really good activity here in the US and in some portions of Europe where you have carriers that are really trying to make sure that they upgrade their network to be able to meet data center traffic requirements and one of them here in the US is very vocal. and our business is definitely picking up because of that. But we also are in data center upgrades where the hyperscalers themselves are upgrading and we have one customer that of course is materially larger than the rest. That's ongoing. We expect that actually, that business to continue to grow meaningfully. The new intersection point for us is these two chips. The LPO is huge. We have strong interest in that product. And I'm trying not to overhang myself here, but we have strong interest in that product. And that product is not singular. We have different versions of that product that will be coming out over the next probably three years or so. But we've got very good interest on our very first. So, you know, it's, you know, anything that has to do with hyperscalers, you can typically, it's typically 10s to 100 millions of dollars. So it's, it would be very beneficial for the company when we're successful there.

Bill Dezellem | Analyst, Tieton Capital Management:

And thank you. And one additional question, and I do promise I'll step away. The interest, as you said, is very strong. Is that coming from one or two potential customers, or is it much more broad-based than that?

Tom Stanton | Chief Executive Officer and Chairman of the Board:

On the lightweight, it is really large data center owners. So there's a finite number of them. On the quattro, it is pretty much across the board. It's carriers. It is Hyperscalers. It's Neoscalers. It's MoFi-type customers. So it's across the board. It's a much broader product. It's a much broader customer set. Okay. Great. Thank you again.

Bill Dezellem | Analyst, Tieton Capital Management:

Okay.

Tom Stanton | Chief Executive Officer and Chairman of the Board:

I think we are... I see a question queue is... Thank you very much for everybody joining us and we look forward to talking to you next quarter.