NASDAQ:INSG Q1 2026 Earnings Call Transcript

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Juho Sarvikas | President and Chief Executive Officer:

Lance, that's an excellent question. One of the key things that we've discussed with Justin Holtzart from the beginning was to align on the market opportunity. And as a part of that, the notion of this strategic go-to-market collaboration continuing with Nokia even beyond we close the transaction. We will train, we will have a joint account management, pipeline management process. We will incentivize the Nokia global sales team to continue to hunt for us. So on the go-to-market side, that is a very valuable asset for us. It's also good to note that here in the U.S., we already have the sales structure in place to capitalize on the opportunities.

Lance | Analyst:

Thank you. And maybe just one, switching gears for a second, just on the regulatory kind of Washington policy. And I've seen some headlines over the past couple of months, but honestly, I haven't been polling them as closely as I could or probably should. But are you getting any sort of a tailwind in terms of what the FCC has been sort of doing in terms of thinking about what can or cannot go into the supply chain these days?

Juho Sarvikas | President and Chief Executive Officer:

Yeah, so the FCC ruling is on residential routers, where the primary intended use case is for residential deployment. Our solutions for the FWA and Hotspot, for that matter, are intended primarily for enterprise use. They have manageability, security, all of that enterprise features. Like you know, our mobile products also cross-sell into the consumer segment. So as this situation progresses, I do see this as a potential upside driver for us, given that we will be able to cater for both segments with a product that, again, primarily intended for enterprise use as opposed to residential. The other thing I would note here is that The criteria here is produced in U.S., and produced means designed, developed, and manufactured. We are unique in that we design and develop here in U.S. And then when it comes to manufacturing, we have optionality for that as well. So I do believe that our unique position as an American company with design development here in San Diego is gives us a great opportunity to capitalize on what's next on that front.

Lance | Analyst:

Great. Thanks for taking the questions.

Operator | Conference Operator:

Thanks, Lance. The next question will come from Scott Sierra with Roth Capital. Please go ahead.

Scott Sierra | Analyst, Roth Capital:

Hey, good afternoon. Thanks for taking my questions. I got on the call a little bit late, so I apologize. I'm going to stay away from supply chain issues because I'm sure they've got addressed and I can take that offline. But Juho, maybe looking at the second half of this year, we kind of backed some revenue more into the second half, so it's a really back-end loaded year. I'm wondering if you could kind of give us, what's your level of confidence in terms of the number of operators and or products and programs that you expect to be launching up? Do you feel pretty comfortable about how the operator cadence of launches is going to perform in the mid to second half of this year?

Juho Sarvikas | President and Chief Executive Officer:

Hey, Scott, thanks for joining us. Really, really appreciate your time. To your point, if you look at the revenue engines that we have going in the second half, we're in a really unique position with those three new hotspots launching and ramping by the end of the first half. In addition, on the call today, we announced that we have secured a new value tier win in a hotspot with a large tier one carrier. So there's more work to be done, more business to be expanded to, but the mobile portfolio going into the second half is is in excellent shape, despite some of the time delays that we've experienced on the first hub that's reflecting the Q1 performance and Q2 guide. Meanwhile, on FWA, very, very encouraged by the performance and the partnership with our new large tier one FWA customer, while we continue to realign the go-to-market and sales strategy with our existing large one. So those are huge for us. In addition, I see great opportunity in the MSO space. We've done a lot of work both on product and cloud side to become the perfect solution and ideal part for the large MSOs when it comes to failover, day one, and other use cases. So I view all of that as very encouraging, and as we have all of these student deaths firing in the second half, we see visibility of that 190 million that we set as a target for the year.

Scott Sierra | Analyst, Roth Capital:

very helpful, and Juho, maybe just to follow up on that, you know, MSO customers is that likely in the second half of this year, and maybe I'm wondering if you could just comment on the competitive landscape. There are a lot of dynamics going on out there, you know, as obviously related to FCC regulation and security issues, but the breadth of the product portfolio that you now have, and as you start to move from the high tier into the mid tier and low tier, you know, are Are competitors starting to dwindle and go away and just kind of opening up share gains for you within the existing operator base?

Juho Sarvikas | President and Chief Executive Officer:

Thanks. I'll take those one by one. On the MSO engagement pipeline, very strong. The job we'll have to do now is the final conversion. But again, we have good readiness pipeline and visibility into that opportunity space. The FCC ruling, which was at this point specific to residential routers, in the following Q&A was also identified to cover hotspots as a category. So there is a couple of things that we have going for our favor. First of all, intended primary use case is the enterprise. We have manageability and security and all of those features that are covered. And secondly, if you look at the degree to which you produce meaning design, develop, and manufacture in the U.S., were in a unique position as a company to do all of that here in the U.S. So whatever happens there next and how that situation develops, I would expect will only be favorable for us as carriers transition their portfolios and new products go into FCC filings. If you look at the volume of opportunities in the marketplace, we've done a great job in consolidating the MiFi or mobile market already now with that mid-high tier portfolio that we're in the middle of launching across all three carriers. Like, you know, we've positioned now for higher volume capture, where we used to be significantly higher priced than part of the market. Now we can drive volume share gains there, which in itself is great. And I do believe that this value-tier wind that we now have security mobile further takes oxygen out from the marketplace in our

favor. So we're committed in driving increasing gains in that segment.

Scott Sierra | Analyst, Roth Capital:

Gotcha. Very helpful. And if I could, just two quick ones on Nokia. I imagine you've probably had some inbounds and engagements with customers on both sides of the acquisition. I'm wondering what the operator response is now with you guys taking over with there being a long-term roadmap and direction for the company in terms of solidifying those existing relationships. And then the cross-sell opportunities for you to bring in you know, higher-end mobile hotspots and otherwise into that carrier customer base. And on the gross margin front, I know it's early, but I'm kind of wondering if you've been able to get a quick peek at, you know, what's in the box in the BOM breakdown and have a roadmap to be able to enhance the gross margin profile, you know, once you guys get closer to closed date and integration. Thanks.

Juho Sarvikas | President and Chief Executive Officer:

Thanks, Scott. We've, as a part of the due diligence process, met with the top customers, top five, think about it like that. Since then, we've had meetings with our new global customers across existing ones and the ones that are targeted for further expansion with the Nokia FWA business. And the feedback has been single-handedly positive. We're a trusted, known technology leader in the landscape. While we've been operating almost exclusively in North America so far, the reputation, commitment, and dedicated focus in this mobile or wireless broadband space is something that's very much acknowledged. Also, the strategic partnership that we'll carry forward with Nokia is something that's a big confidence builder, of course. for our customer base, but I feel that we're in a great position to continue to be, and quite frankly, expand the customer footprint for the business that we're acquiring as a trusted partner of choice. The other thing that I've been very encouraged with is that in these discussions, of course, we've also socialized our Inseco portfolio, be that our enterprise FWA or mobile, and we've already uncovered cooperation opportunities with these new new international customers where they have a business need that we can feed. And if you translate that then into the cloud and the ARR side, I think it's a great value proposition to have now your entire fleet, whether it's residential, enterprise, or mobile, managed by a single platform. So all of that feels very good. In the meanwhile, as we've engaged with our existing large customer base, be it Tier 1, MSO community and beyond here in North America, the fact that we're becoming overnight the largest global wireless broadband provider gives us the scale and the capability to compete also very aggressively here in residential and other opportunities. So everything that we've seen, the discussions that we've had, makes me believe that we're in a great position to be the new home for the business, grow it, and really take it to a place where we have one team, one technology and product platform that we now take to this expanded global set of customers across enterprise consumer, mobile, and fixed.

Chief Financial Officer | CFO:

And then, Scott, to your good question on gross margin, we said a little bit earlier, it's interesting, the margin right now overall in a small number of customers but large players, It doesn't really exist in nature in that it's, you know, in the kind of mid-teens, if you will. But that exists from a very, very large single customer that is, you know, the definition of a high-velocity model where, you know, you have tremendous market share and tremendous volumes, you know, in the millions of units. And so the technology and the engineering quality that Nokia has in their business is so compelling, they have been able to add additional customers at much higher margins, you know, with two handles on in the 20s. And so as we see that trajectory of the ability to build off of a foundation of a very strong high-velocity model that has very efficient supply chain, very efficient operations, and then go add higher margin business to that, That becomes a really compelling story for us, and it's kind of what we've been able to do domestically, organically, and that we look to do there on a global basis.

Juho Sarvikas | President and Chief Executive Officer:

I think the big thing for me here is that if you look at the product portfolio and the market opportunity, they're completely complementary. Meanwhile, on the engineering and product side, You have two companies that are now making their own connectivity modules, own software platforms, their own device roadmaps. And now we have the ability to create one platform on all levels and also drive significant synergies even on the device roadmap side and then have one team execute behind that. That's one of the key things here, which we believe will make us very successful with the acquisitions.

Scott Sierra | Analyst, Roth Capital:

Great. Thanks so much, and congrats on the deal again.

Juho Sarvikas | President and Chief Executive Officer:

Appreciate it, Scott. Thank you. Thanks, Scott.

Operator | Conference Operator:

This will conclude our question and answer session as well as conference call. Thank you all for attending today's presentation. You may now disconnect.