NASDAQ:INSG Q2 2026 Earnings Call Transcript

Generated on 8/9/2026

Conference Operator | Operator:

Hello, and welcome to Seego Corp.'s second quarter 2026 financial results conference call. Please note that today's event is being recorded. All participants today will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity for Q&A. To ask a question, please press star, then one on your telephone keypad. To withdraw your question, please press star, then two. On the call today are Juho Sarvikas, Chief Executive Officer, and Steven Gatoff, Chief Financial Officer. During this call, certain non-GAAP financial measures will be discussed. A reconciliation to the most directly comparable GAAP financial measures is included in the earnings release, which is available on the investor relations section of the company's website. An audio replay of this call will also be archived there. Please also be advised that today's discussion will contain forward-looking statements. These forward-looking statements are not historical facts, but rather are based on the company's current expectations and beliefs. For a discussion on factors that could cause actual results to differ materially from the expectations, please refer to the risk factors described in the company's Form 10-K, 10-Q, and other SEC filings, which are available on the company's website. Please also refer to the cautionary note regarding forward-looking statements section contained in today's press release. With that, I'd like to turn the call over to Juho Sarvikas, Chief Executive Officer. Please go ahead.

Juho Sarvikas | Chief Executive Officer:

Good afternoon, everyone, and thank you for joining us today. Q2 revenue was $44 million, about the high end of our guidance range. We delivered 28% sequential growth and 9% year-over-year growth, driven by strong product revenue. Our top line results benefited from late quarter orders from select carrier customers tied to expected memory cost increases going into the second half of the year. These orders supported our customers and contributed to revenue outperformance in the quarter, but they also weighted on gross margin and are expected to result in lower ordering levels from those customers in Q3. Over the last 18 months, we have moved much faster than this business has historically operated. Inseego typically introduced roughly one new product annually. Since I joined the company, we have significantly accelerated that pace, launching multiple new products and variants across mobile and FWA, while also broadening the customer base. We now have six products across three Tier 1 carriers for the first time in the company's history. That was the right strategic direction, and it helped us win important new customer opportunities, including our newest Tier 1 carrier. But as we accelerated the pace of product development, we discovered that our engineering processes could not support the rate of new product introduction. As a result, we experienced product delays, which created a revenue gap that we will not fully recover in 2026. It is disappointing, particularly against the customer wins we brought in. As I mentioned on the last call, we've taken immediate actions and amongst them the search for a new engineering leader, which is going well. We have several candidates deeply engaged and I look forward to updating you as we move through the process. Our newest tier one carrier relationship is performing well across mobile and FWA. However, instead of driving the incremental growth that we expected this year, that performance is filling the gap created by product delays and weakness with our largest FWA customer. In FWA, the recovery of our largest customer is taking longer than expected. The customer is still working through changes to its enterprise go-to-market strategy and internal organization. And while I expect our next-generation product to get us back on track, we are factoring in a slower recovery in our updated outlook. As such, we're updating our full-year 2026 outlook to reflect a lower second-half revenue expectation. It is important to note that the revenue opportunities we have won remain intact. Our focus is getting the business to a more appropriate product delivery cadence and quality to generate more consistent revenue and deliver profitability. With that context, on today's call, I'd like to add my perspective on our Q2 operational progress, the operating dynamic behind our updated outlook, and our progress preparing for the Nokia FWA integration. Starting with Q2, a key milestone was completing the launch of our refreshed mobile broad family across all three North America Tier 1 carrier customers. The MiFi Pro M4 is now launched across all three carriers, including the delayed but on-target late quarter launch with our largest MiFi customer. We also made a multi-carrier model available to the Valuated Reseller channel. This gives us a stronger mobile portfolio than the company has had in years. and positions us across three largest carrier customers and the resetter channel. These launches took longer than planned, but they are now completed and in market. Our newest tier one carrier relationship performed well in both mobile and FWA. That remains an important proof point for the strategy of broadening our customer base and reducing reliance on any one customer. And so, when we started talking with this customer about a large Q2 purchase ahead of anticipated price increases later in the year, we worked to deliver that increased volume in quarter. In channel, we supported a large industrial deployment using our IoT product with Inseego Connect. That is a good proof point for the value of pairing our hardware with cloud-based device management, and we continue to see Inseego Connect as an important part of our broader solution set. Overall, during Q2, we completed the key mobile portfolio launches, grew revenue, and executed with our newest tier one carrier. But the quarter also made it clear where we need to do better. Broad execution and delivery needs to be reliable, and we need to execute on our new broader customer base and product portfolio more consistently. That brings me to our updated 2026 outlook. We now expect full year revenue of approximately 155 million. Our updated outlook reflects a lower second half revenue expectation, particularly in Q3. There are four drivers to this updated outlook. The first half mobile delay, the slower recovery of our existing large FWA customer, Inseego's subscribe, and the MSO's unpredictable sales cycle. Let me start with subscribe, since it's reflected in the updated outlook and remains a strategically important platform for us. Over the past year, we have continued to develop Subscribe from a customer-specific services arrangement into a carrier-grade subscriber lifecycle management platform. The platform is designed to help service providers sell, onboard, manage, and support complex enterprise and government wireless services more efficiently and at scale. During the quarter, Subscribe achieved CMMC Level 2 certification, an important cybersecurity milestone for supporting U.S. federal government programs. This strengthens the platform's ability to support communication service providers serving government customers. As our Tier 1 carrier customer on the platform has evolved its internal IT and system capabilities, the subscribed pricing is stepping down the professional services component. As a result, beginning in Q3, we expect software services and other revenue to decline by approximately $2 million per quarter. Subscribe remains a high margin contributor and a strategically valuable platform. We continue to advance the roadmap, new customer business development activities, and believe Subscribe can play a broader role over time. In terms of the MSO opportunity, customer engagement remains active, and we continue to see opportunity in this market. However, the customer conversion is taking longer than expected. Given that, we have removed MSO revenue from our 2026 outlook and will treat it as upside until customer conversation is proven. Let me now turn to the acquisition of Nokia's FWA business, which we announced on April 30th. This will mark an important step in our evolution into a global wireless broadband platform. The acquired business will more than double our revenue base, expand our product coverage, and deepen our strategic collaboration with Nokia. Strategically, the acquired business is highly synergistic and a natural extension of what we do. The business will add strong engineering capability, establish global tier one customer relationships, and one of the strongest FWA portfolios in the market, including indoor, outdoor, and millimeter wave products. Combining their portfolio with Inseego's North America carrier relationships, mobile and FWA product portfolio, and cloud software capability gives us a much broader platform for growth. With an anticipated close in Q4 2026, we are taking concrete steps to build the operating foundation for a larger global Inseego. First, we have strengthened our international regional leadership. Ranaf Shroff has joined Insego to lead APAC sales, Ossi Korpal has joined to lead EMEA sales, and Steve Harmon has expanded his role to lead the Americas, including Latin America. This gives us dedicated leadership across major regions where we see opportunity for the combined portfolio. Second, Steven has expanded his role to lead our international expansion where he will oversee the global operating structure support integration activities and work closely with regional sales leadership to execute business primarily across EMEA and APAC. Third, we are establishing the engineering and operational footprint needed to support customers globally. We have selected Amsterdam as our center of international operations, extending the reach of our San Diego-based global headquarters. We are also continuing to build Athens as a key software development center for our global FWA portfolio. These are targeted actions to support integration readiness and customer continuity with an overriding benefit of bringing on a talented and effective engineering team. With these actions, integration planning is well underway. Our priorities are customer continuity, employee integration, roadmap alignment, and operating discipline. The opportunity is significant and our focus is on building the right foundation so we can integrate the business thoughtfully, support customers and enter 2027 with a strong global platform. In summary, we have streamlined our portfolio to support reliable execution and we are taking the required actions to improve the leadership and quality of our execution. We are very clear on our focus areas as we move to the second half of the year. Converting our current portfolio into more consistent revenue, improving profitability, strengthening engineering and product delivery, and aligning costs with the revised revenue profile. That focus is also critical as we prepare for the anticipated close and integration of Nokia FWA acquisition. Nokia's FWA business gives us the opportunity to become a much larger global wireless broadband platform. but our immediate priority is clear. Execute against the revised outlook, rebuild consistency in the Corp business and enter Q4 with stronger execution. With that, I'd like to hand off to Steven.

Steven Gatoff | Chief Financial Officer:

Thank you, Juho. Hi, everyone. I'd like to follow on Juho's discussion and cover three topics today. First, I'll take you through more details on our Q2 2026 financial results. Second, I'll talk through the financial profile of the business and provide our guidance for Q3 and our updated view for full year 2026 revenue. And third, I'll share some color on the FWA acquisition work that we're doing. To be clear, the discussion of our financial results for Q2 2026 and our outlook and guidance for Q3 and the full year 2026 today are for NSECO standalone only. do not include any contribution from the Nokia FWA business. We are on track for a targeted close in Q4 of 2026, and we expect to provide certain combined company and pro forma financial information then. As we always do, we'll wrap up by opening the call for your questions. Starting with Q2 2026 financial results, total revenue was $44 million above the high end of our guidance range up and many more. The financial impact of the financial impact of the financial impact of Mobile Solutions revenue was $17.3 million and was the key driver up 26% year over year on good traction with our newer Tier 1 carrier customer and strong channel activity with the refreshed MiFi portfolio. FWA revenue was $14.4 million for Q2, also with solid contribution from our newest Tier 1 carrier that had a large purchase in the quarter. As Juho mentioned, this strength was unfortunately partially offset by lackluster performance at another existing large FWA carrier customer. Services and other revenue came in at $12.3 million, or 28% of total revenue, and up 2% year over year. Let's talk a bit about the Q2 ordering activity tied to memory pricing and availability. As Juho mentioned, worked with our relatively new Tier 1 carrier customer on an upsize order in Q2 to get ahead of anticipated increases in memory prices and market supply constraints in the second half of the year. That supported us closing higher than anticipated revenue in Q2, and it also is expected to impact the current Q3 ordering cadence. In the context of typical quarterly levels, we see something on the order of $5 million to $6 million of incremental revenue that was realized in Q2. Normally, this would not have a meaningful impact quarter to quarter, but in the context of the product delays we talked about, that incremental revenue has a larger impact. Similarly, while we were pleased to support our new carrier customer with a larger order, Gross margin percentage saw an impact from this deal with Q2 2026 non-GAAP gross margin coming in at 34%. The impact of gross margin was a function that while the ASP was set on this deal, we needed to allocate higher cost memory units from follow-on purchases in order to fulfill the larger quantity ordered. The larger deal generated incremental revenue but pressured Q2 gross margin percentage. The positive on this is that we expect product margin percentage to improve to the high teens in Q3 as we've been successful going forward with this relatively new dynamic of passing along essentially all of the memory price increases to customers this quarter. Moving down to P&L, Q2 non-GAAP operating expenses were $16.9 million, or 38% of revenue, flat sequentially to Q1. So pulling this all together, Q2 2026 adjusted EBITDA came in at $.5 million, or a margin of 1% in line with our guidance, but impacted by the lower margin revenue as we discussed. Closing out Q2 with the balance sheet, we ended June with cash of approximately $2 million. This reflected the timing of significant product deals that closed late in the quarter. While you see this in the meaningful increase in accounts receivable at quarter end, we have been collecting material amounts of that cash here in Q3. We also had a balance of $10 million on our revolver at the end of June. and that too has already been paid down meaningfully from the cash collections. With that, let's now turn to the dynamics here in the current quarter and provide our Q3 guidance and updated outlook for full year 2026 revenue. Echoing Juho's earlier comments, the timing of the new product revenue drivers has shifted out. The refreshed mobile portfolio is now in market, but the first half delays created a revenue gap we will not fully realize this year. Our existing large FWA customer has a path to recovery, including the next generation product launch, but is admittedly taking longer than expected. And as Juho also mentioned, while the MSO market remains a compelling TAM expansion opportunity, it is taking longer to convert and to sign contracts, and so we've adjusted our expectations to remove that from our 2026 forecasts. Pulling this together for Q3 2026, we expect total revenue in a range of $28 million to $35 million and adjusted EBITDA in a range of negative $1 million to negative $2 million. From a margin and profitability standpoint, We expect gross margin to modestly improve in Q3, as I mentioned, as lower margin products are expected to decline and memory cost price pass-throughs take effect. We are focused on operating spend discipline and are actively aligning our spend with the revised revenue profile. Stepping back to look at the full year, we see 2026 revenue in the area of $155 million. This updated outlook is for Insego only, and reflects the dynamics we've been discussing. The first half product delays, the slower recovery at the existing large FWA customer, monetization of the MSO opportunity and marginally lower subscribed revenue. We continue to focus on delivering a more diverse product set to a more diverse customer base, both of which are a new dynamic in the company's history. We've had execution issues that are having an impact in the near term but we're addressing those and believe the trajectory is upward as we move through this quarter and get execution back to where it needs to be to get those pieces to contribute more consistently. All the while, maintaining the operating discipline and focus on improving profitability over time. Finally, I'd like to share an update on the Nokia FWA acquisition as you have discussed. It's a complimentary business and adds a compelling scale and quality of engineering to Inseego. We continue to expect the transaction to close in Q4 2026, subject to customary closing conditions. As a reminder, we are acquiring a business with an annual revenue run rate of approximately $200 million, which more than doubles our revenue base and makes Inseego a global provider in our core wireless broadband. all with the backing and go-to-market coordination with Nokia. Once the transaction closes, our reported results will naturally include the acquired FWA business from the closing date forward. We wanted to give you a sense of how we're thinking about both reporting and guiding outlook for the company from that point forward so everyone can align models and expectations. On our Q3 2026 financial results earnings call that we expect to have in a few months November. Assuming the transaction closes as expected, we plan to provide Q4 2026 revenue guidance for both the NSEGO business and for the acquired Nokia FWA business. We intend to provide that for that quarter in order to give you a clear starting point and relative performance of the businesses. We also plan to provide a historical view of quarterly revenue for the acquired FWA business so you have the context to build a combined revenue base into your models. Beginning with our Q4 2026 financial results earnings call expected in February 2027, we intend to guide and report as a single combined company and will include certain prior period financials and pro forma revenue comparisons so you have an apples to apples basis for gauging outlook and performance. Our objective is to give you the information and transparency to understand the transition, the business performance, and to model the business, all while us managing and reporting the company the way we intend to run it as one integrated segment and set of products. With that, we appreciate your time and support and are glad to open the call for questions. Operator?

Conference Operator | Operator:

Thank you. We will now begin the question and answer session. To ask a question, you may press star, then 1 on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then 2. At this time, we'll pause momentarily to assemble the roster. The first question will come from Tyler Burmeister with Lake Street Capital Markets. Please go ahead.

Tyler Burmeister | Analyst, Lake Street Capital Markets:

Hey, guys. Thanks for letting me ask some questions here. So just looking for some more details on this guidance. Maybe first, you know, how much MSO revenue was previously assumed in your full year outlook? Hey, Tyler.

Steven Gatoff | Chief Financial Officer:

You know, orders of magnitude, the MSO was a large opportunity that we had talked about. And so if you thought about it in kind of the $15 to $20 million zip code, it was a considerable, it wasn't, and the numbers and it's still a considerable opportunity.

Tyler Burmeister | Analyst, Lake Street Capital Markets:

Okay. Okay. And then just want to make sure I understand the, the, the, the subscribe software dynamic that's going on. Your customer is, um, you know, evolving away from your offering. I think you said it's going to decline 2 million a quarter. So, so decline 2 million a quarter towards zero over the next called six quarters. Is that the correct way to think about that?

Juho Sarvikas | Chief Executive Officer:

Yeah. So the customer has, um, further develop their in-house systems and IT capabilities and with that require less complex professional services from In-SEGO. So we have adjusted the pricing to reflect that reality.

Tyler Burmeister | Analyst, Lake Street Capital Markets:

But just to be clear, it's not going to decline $2 million and stay at that level. It's going to continue to decline $2 million each quarter going forward. Is that right?

Steven Gatoff | Chief Financial Officer:

No, the revenue is going to go down Starting this quarter, $2 million and then stay at that level. So if it was approximately, let's say, $11 million, we expect it to go down to $9 million and then stay at $9 million a quarter.

Tyler Burmeister | Analyst, Lake Street Capital Markets:

Okay. Okay. Thank you. And then your full year guidance still implies a decent snapback in Q4, I guess. What gives you confidence that we're going to see that snapback in Q4? and maybe, you know, what's the greatest risk to that number?

Juho Sarvikas | Chief Executive Officer:

Great question, Tyler. So, I think the big thing going into Q4 is normalized ordering cadence, and that applies to both the MiFi or mobile as well as the FWA range. Big thing there really is the recovery of our existing largest Tier 1 FWA customer. Like we mentioned in our prepared notes, we're introducing a new generation of that FWA product, which will be part of the solution in getting the run rate levels where we should be at.

Steven Gatoff | Chief Financial Officer:

Yeah, the numbers behind that, Tyler, to your point, and Juho's color is We expect mobile to kind of come back to where it was last year, essentially. And then we expect FWA to rebound off of a low this quarter Q3 from the larger deal they got done in Q2. So it's really not that Q4 is expected to go up to a huge number. It's really Q3 is much lower. and so we're looking for some normalization, if you will, for what Q4 we believe should be.

Tyler Burmeister | Analyst, Lake Street Capital Markets:

Okay, understood. And then maybe, you know, just pivoting a little bit here. On the Nokia acquisition, you guys hired their national team and started that headquarters like you talked about. I'm just wondering, you know, the strategy there. How much work can you really do before the deal is closed? You know, can you kind of start cross-selling?

Juho Sarvikas | Chief Executive Officer:

We've had the opportunity to meet our new largest customers that we'll have after the acquisition. Already some of them in the due diligence phase and of course they're very keen to hear from us together with Nokia on how do we secure business continuity, what does the new engagement look like, and also learn about our expanded product portfolio where from what you know from our business today. The mobile part is a net new discussion that we can have independently right now as Inseego as well as the enterprise FWA. So I think those discussions are very encouraging and I'm super happy to have now the leadership, two key leaders in the theater in anticipation of the close when the full team will then come over.

Steven Gatoff | Chief Financial Officer:

Yeah, the work on that front So Juho has a good point, has been going really well from a front-end customer-facing go-to-market and as well on the back-end integration work with Nokia and team is going very well. Yeah, it's a good summary.

Tyler Burmeister | Analyst, Lake Street Capital Markets:

All right, got it. Thank you. That's it for me. I'll pass it on. Thanks, guys. Thanks, Hunter.

Conference Operator | Operator:

Again, if you have a question, please press star and then 1. The next question will come from Lance Vitonza with TD Cowan. Please go ahead. Hi, Lance. Your line might be muted.

Juho Sarvikas | Chief Executive Officer:

Hello?

Lance Vitonza | Analyst, TD Cowan:

Can you guys hear me? All right, sorry about that. Hey, I'm very sorry to keep you waiting. So a couple questions, and thanks for taking them. The first is, you've been talking about the engineering execution issues for a couple of quarters now. Could you refresh my memory, help me better understand the nature of the bottleneck there? You know, is it primarily a product development issue? Is this certification testing, manufacturer transfer issue, or something else? And and I know you've been looking for some personnel changes for some time. Is there anything in particular that gives you confidence that this bottleneck will be resolved shortly rather than continuing to lead to further pressure on future guidance?

Juho Sarvikas | Chief Executive Officer:

Lance, I think that's a fantastic question. If you take a step back and look at InSeego over the past years, the company has typically introduced one product per year, typically for a single customer. This is a reflection on the intensity of new product launches and also the diversity or lack of thereof of the customer base. Over the past 18 months, we've been successful in expanding both the customer base as well as winning new opportunities with an expanded product portfolio. And I guess the big discovery here is that where we got most challenged were in the basics. The development process that we used as a company was not capable of parallel processing the complexity introduced by a broader customer base and a broader set of products. The big work that we've done with the team We've overhauled the development process, our milestone model, and very importantly instilled a level of discipline where there are no shortcuts, every milestone is adhered to, detailed program planning, things that you would take for, that are essential building blocks of reliable delivery from an engineering standpoint of view. The other important thing to note is that Look, we've just introduced this new mobile range across all of the three carriers as well as channel. And we've launched the 4100, 4200 to the marketplace. Now what we're doing next is that we're narrowing down the new product introduction cadence and ensuring that with that focused roadmap, the team has full focus in executing on schedule with high quality When it comes to the new engineering leader, Serge, like I mentioned in our prepared remarks, very pleased with the pipeline of finalists that we have assembled. A lot of people excited about the opportunity to create something new, not only within Seego, but also with the acquisition in mind, of course, so you should expect to hear back from us on this in the immediate term.

Lance Vitonza | Analyst, TD Cowan:

Great, and then, Can you help us understand, and I know you've talked a couple of times, you've mentioned Q4 closings, so it sounds like the timing of Nokia is still very much on track. Is there any implications for either the economics of the transaction with Nokia, including the amount of equity or ownership Nokia ultimately receives, or any expectations that that the company's combined operating profile once the transaction closes. Do you see the stuff that's happening in the back half of the year as putting pressure on those expectations?

Steven Gatoff | Chief Financial Officer:

Yeah, great question. The short answer is no. There's no aspects of the deal qualitatively or quantitatively in the contract that Thank you. Thank you. to improve our engineering acumen and bench and to run it globally a lot more efficiently to bring the team together. It's one engineering function, not a bolt-on, as some people typically do. That's not what we're doing. And so when these come together, it really is hitting the ground running in a field and a product in a production capacity that we know is what we do. and so everyone's pretty eager to get going on both sides to do it.

Lance Vitonza | Analyst, TD Cowan:

Great. And then just one last one for me. At announcement, and I think you reiterated this a minute ago, but the Nokia FWA business was described at operating a roughly $200 million revenue run rate. I think that was based on the first quarter results. I might have that wrong. But in any case, as we move toward the anticipated 4Q close, Can you provide any update on how that Nokia business has been performing relative to that baseline? And if the acquired business were to be tracking materially above or below that run rate by closing, are there any mechanisms in the transaction structure that would adjust the economics or otherwise protect Insego shareholders?

Steven Gatoff | Chief Financial Officer:

Yeah, that's a great question. Just to take that last bit first, there's no repricing of the transaction in either direction and if you go back to the deal terms the price of the equity that was used to issue the shares to Nokia was $10 and change and so that's the that's the price at which equity was issued and the deal was monetized and so candidly that's in favor of the and Segoe stockholders right now. If the stock price had doubled, it would be a different conversation. So right now, that's not an issue in my humble opinion. You are correct in what you said, Lance, about the run rate of the business. When we discussed this at first, it was based on Q1. When we look forward to working with the, when we look ahead to the business, We don't own it yet, so it's not really our place to go disclose what it's doing right now in the current quarter. We have not been authorized to do that. But we're still comfortable with that $200 million bogey of an annual run rate. And we'll definitely be updating that between now and the next call is when the deal closes. And so we'll be updating that, particularly given the time of year when we're all embarking on 2027 planning right now. And so we would I expect to have a bit more color and insights for you. But that is still a valid number and something we are comfortable with.

Lance Vitonza | Analyst, TD Cowan:

Perfect. That makes sense. Thanks so much, guys. Bye-bye.

Conference Operator | Operator:

Again, if you have a question, please press star and then 1. The next question will come from Christian Schwab with Craig Hallam Capital Group. Please go ahead.

Christian Schwab | Analyst, Craig Hallam Capital Group:

Thanks for taking my questions. Just as far as the engineering effort and the capability of your company to introduce new products on a timely basis, which we kind of struggled with as we kind of took on a bunch of new initiatives. I'm kind of confused on how the combined company would look. So in the near term, we're struggling with developing and successfully attacking the MSO market as well as getting new products out in a timely fashion at the right cost. And then we're about to close and buy... for lack of a better word, Nokia's mess. Who's going to be running or how do you plan on implementing engineering of the combined company with a lot of products in many geographical locations?

Juho Sarvikas | Chief Executive Officer:

Hey Christian, great question. So maybe one thing to say before going into commentary on the Business and the capabilities that we're acquiring from Nokia. So, like you know, we experienced delays, particularly in the new mobile range that we introduced to market that greatly impacted the year. Those products are now out. That was the peak, let's call it chunk or body of work, where we discovered that our processes did not scale. and causing the delay, but the products are out. They're now ramped to velocity and they're shipping. We, of course, lost revenue from the year, but in a go forward basis, the opportunity is intact. And like I mentioned, if you look at the latter half of the year, were essentially introducing one new product. So we've been very thoughtful about making sure that we have the right ability to focus our existing team while we're continuing to develop the processes and search for the right leader to finalize that transformation as it pertains to In-SEGO. As a part of the Nokia FWA acquisition, the carve-out includes their and others. So, from a Nokia standpoint of view, there is no jeopardy in that. They also come of course with a set of leadership from Nokia side and then if you look at what I intend to do from a global one engineering function standpoint of view like Steven was describing it, where we're going to onboard a new highly qualified leader to look at then what does the combined organization look like. The important thing here which is a key part of the deal I'm sure you recall the EBITDA make-all, which will enable us to fund the Nokia engineering to deliver on the committed Nokia roadmap. So I don't view this as a compounding issue. I view them as something that are separate in the short mid-term with the time to integrate and develop the right go-forward setup for the combined company.

Christian Schwab | Analyst, Craig Hallam Capital Group:

Okay, great. And then we talked about the Q2 pre-order before ASP increases took place. But then when they gave you the order, you still had to go by memory at cost. So the gross margins were less than expected, and I want to make sure that that's what you said, not what I heard as question one. Question two, the ASP creases are now out there, I guess, is my next question, meaning that all three large... U.S. carriers in the United States know that on a go-forward basis in Q3, Q4, etc., it takes into account additional component costs. Is that right?

Steven Gatoff | Chief Financial Officer:

Yeah, let's full tag team and hit those both off maybe the first one, Christian. The bottom line is yes, you basically heard that and digested it as intended, which is just to say it out loud again, is we had units and plans for a normalized buying amount, a deal size in Q2 through conversations the customer wanted to do a much larger order. And so given the memory pricing, and we had talked in previous quarters too how we felt good about supply and pricing. We had visibility to memory for the first half of the year and into Q3 now as well. but when we went through the larger order we had to basically go use if you will higher cost memory that we had purchased but had you planned on using for Q3 deals at a higher price and since the price on the deal is fixed you know we use that higher price not for the whole transaction but for part of it and so that pulled down the margin for that transaction but as we said and as you just said Well, is for Q3, we're engaged with all the customers, all the carriers about price increases. And candidly, it's a new muscle for us like it is for everyone else. When we talked about this topic six months ago, it was just, you know, you and other guys were asking questions about where are you with raising prices to address the memory price increase, and we were all collectively just broaching that topic. No one really had gone first in the industry insofar as passing that along, and so it really wasn't a thing yet. In our opinion, it just kind of became a thing this quarter that people started passing on prices, and you see that whether it's Apple or Qualcomm or pick a topic, now it's pretty obvious and maybe... You know, three months ago when we did the transaction very early in the quarter, you know, right out of the gate. And so now, while we're doing this, there's much more memory muscle and seeding of the market, and so we have better coverage.

Juho Sarvikas | Chief Executive Officer:

Yeah, and I think we mentioned the previous call. Coming into this year, we came in with healthy inventory levels. So Q2 was really when this happened. Transition happened for us, which perhaps a little bit later than some of the industry players who had not buffered on key components like we had. So Q2, a bit of a transition quarter, like Steven was saying, Q3, we've largely cascaded pricing out. Look, the way that this operates now is that you will know the memory pricing upon delivery. And that's not us. That's an industry level thing. Phenomenon. And with that Q4, we will deal with as we approach the Q4 deliveries. And this is something where different, well, some of our large customers have adopted a strategy where they buy now while they still have visibility. So that's really the rules of the engagement at this stage of what we see in the component market.

Christian Schwab | Analyst, Craig Hallam Capital Group:

Great, thanks for that, Kerry. My last question, on the software, your only customer, for practical purposes, has chosen to go in-house and use a less complicated software, and so that's going to go from $11 million to $9 million, as you discussed. Is there an expiration date? Is that what it's going, you know, is that going to be readdressed in one year or two years, three years or five years? Or is it, you know, up for discussion on a continual basis? I guess that wasn't clear to me.

Steven Gatoff | Chief Financial Officer:

Sure. Just to correct, though, that's not quite the dynamic that you had said. That's not what's going on. It's not that they're going in-house on their own platform. Just to clarify, they subscribe to the platform, to the subscribe platform, SAS offering, and we also have an amount of professional services, call it NRE, Narco Engineering, that we provided them for a while with new leadership, with new investments, with a new team, et cetera. The complexity of what we needed to do on the cross services side has changed. And so we've adjusted the pricing for that less complex work going forward. And so they're still taking a service in the work. It's just the nature of it is less complex and less robust and therefore priced a bit lower. We are working with them right now on the term of the long-term agreement, what does that look like, different terms, and so we're deeply engaged with them. They've been a good partner through this, and so it's kind of in the normal course of a transaction of a contract renewal cycle, and that's what we're going through right now.

Christian Schwab | Analyst, Craig Hallam Capital Group:

Okay, thanks for that clarity. So the term length is still yet to be determined, Steven. Yeah, that's right.

Steven Gatoff | Chief Financial Officer:

We've had terms with them anywhere from one to three years has been kind of the range. The last one was two, the one before that was three, we've done a quarter or two, so it's We're not talking five and ten years, or we're not talking about six months.

Christian Schwab | Analyst, Craig Hallam Capital Group:

Great. Thank you so much for that clarity. No other questions. Thanks, guys.

Steven Gatoff | Chief Financial Officer:

Absolutely. Thanks, Christian.

Conference Operator | Operator:

This concludes our question and answer session. I'd like to turn the call back over to Juho for closing remarks.

Juho Sarvikas | Chief Executive Officer:

Thank you for the thoughtful questions and for joining us today. I would like to thank our employees for their continued hard work and shareholders for their ongoing support. Steven and I will be at the Lake Street Conference on September 10 in New York City and we look forward to seeing some of you at that event. We appreciate your time today and I look forward to updating you as we move forward.

Conference Operator | Operator:

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.