NASDAQ:MXL Q3 2025 Earnings Call Transcript

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Operator | Conference Operator:

Greetings and welcome to the MaxLinear Q3 2025 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star zero on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Leslie Green, Investor Relations.

Leslie Green | Investor Relations:

Thank you, Leslie. You may begin. Thank you, Alicia. Good afternoon, everyone, and thank you for joining us on today's conference call to discuss Max Lanier's third quarter 2025 financial results. Today's call is being hosted by Dr. Kishore Sindhributt, CEO, and Steve Litchfield, Chief Financial Officer and Chief Corporate Strategy Officer. After our prepared comments, we will take questions. Our comments today include forward-looking statements within the meaning of applicable securities laws including statements relating to our guidance for the fourth quarter of 2025, including revenue, gap and non-gap growth margin, gap and non-gap operating expenses, gap and non-gap interest and other expense, gap and non-gap income taxes, and basic and diluted share count. In addition, we will make forward-looking statements relating to trends, opportunities, execution of our business plan, and potential growth and uncertainties in various product and geographic markets, including without limitation, statements concerning future financial and operating results, opportunities for revenue and market share across our target markets, new products, including the timing of production and launches of such products, demand for and adoption of certain technologies, and our total addressable market. These forward-looking statements involve substantial risks and uncertainties, including risks outlined in our risk factor section of our recent SEC filings including our Form 10-Q for the quarter ended September 30, 2025, which we filed today. Any forward-looking statements are made as of today, and MaxLinear has no obligation to update or revise any forward-looking statements. The third quarter 2025 earnings release is available in the investor relations section of our website at maxlinear.com. In addition, we report certain historical financial metrics, including but not limited to gross margin, income or loss from operations, operating expenses, interest in other expense, and income tax on both a GAAP and non-GAAP basis. We encourage investors to review the detailed reconciliation of our GAAP and non-GAAP presentations and the press release available on our website. We do not provide a reconciliation of non-GAAP guidance for future periods because the inherent uncertainty associated with our ability to project certain future changes including stock-based compensation and its related tax effects, as well as potential impairments. Non-GAAP financial measures discussed today are not meant to be considered in isolation or as a substitute for comparable GAAP financial figures. We are providing this information because management believes it is useful to investors as it reflects how management measures our business. Lastly, this call is also being webcast, and the replay will be available on our website for two weeks. And now let me turn the call over to Dr. Kishore Singh-Reboot, CEO of MaxLinear. Kishore.

Dr. Kishore Sindhributt | Chief Executive Officer:

Thank you, Leslie, and good afternoon, everyone. We are excited about our strong Q3 2025 results and the strengthening momentum of our overall business over the last 12 months. Our Q3 2025 revenue of $126.5 million represents 16% sequential and 56% revenue growth year-over-year, and drive the substantial increase in non-GAAP net income both sequentially and year-over-year. Our focused investments in data center, optical interconnects, wireless infrastructure, PON broadband access, Wi-Fi 7, Ethernet, and storage accelerator products are enabling us to lay the significant groundwork required for broadening customer traction, new and increased content opportunities, and sustained growth in 2026. In our infrastructure end market, in Q3, revenues were up 16% sequentially and up 75% on a year-over-year basis. We also expect strong revenue acceleration in 2026 as new design wins begin to ramp across our portfolio. In high-speed data center optical interconnects, we are on track to deliver $60 to $70 million in revenue in 2025 and accelerating growth in 2026. As evidence, our Keystone PAM4 DSP family is now qualified at several major data centers in the US and Asia for 400 gig and 800 gig deployment starting 2026 as part of their AI infrastructure build out. We also made significant progress with our Rushmore family of PAM4 TIAs and 200 gigabit per lane DSPs for 1.6 terabit interconnections and are on track for production ramp in 2026. Rushmore advances our DSP roadmap and provides foundational technology for emerging optical connectivity trends, such as active electrical cable, LROs, LPOs, and co-packaged optics for 200 gigabit per lane and 400 gigabit per lane implementations. In wireless infrastructure, we expect increases in carrier capex spending to drive demand later this year and throughout 2026. Our Sierra 5G wireless access single-chip radio SOC and our millimeter wave and microwave backhaul transceivers and modems are seeing a significant increase in design activity and customer traction. In Q3, two major North American telecom providers launched new Sierra-based 5G macro remote radio unit products, which will continue to ramp through the end of 2025 and in 2026. At the IMC conference earlier this month, we also jointly announced and showcased Pegatron's next generation 5G Open RAN macro radio unit powered by our Sierra product. As we look ahead, we project sustained growth in 5G wireless access and backhaul as the needs for cloud and edge AI functionality continue to grow in 2026 and beyond. Beyond wireless infrastructure, within our infrastructure category, we continue to see strong design and success for our Panther family of hardware storage accelerator systems on chip solutions across Tier 1 network appliance and cloud service providers. In Q3, we announced our Panther 5 storage accelerator that delivers ultra-low latency, 450 gigabits per second throughput, and PCIe Gen 5 connectivity. The announcement coincided with a joint keynote address with advanced micro devices at the FMS 2025 storage conference on the transformation of enterprise data storage. Panther delivers significant advantages over traditional software-based compression, including a four times improvement in power savings and more efficient usage of CPUs and CPU cores and AI accelerators. Moving to broadband connectivity, we saw another exceptional quarter of growth for the combined portfolio of fiber ponds, cable docks, and Wi-Fi solutions, driven by the early increases in service provider cap expanding that has contributed to continued booking strength and incremental demand. Broadband was up 80% year-on-year, and connectivity was up 50% year-on-year. This quarter, we're beginning ramp of our single-chip integrated fiber, PON, and 10-gigabit processor gateway SOC, plus tri-band Wi-Fi 7 single-chip platform solution with a second major tier 1 North American carrier. In cable broadband, we are seeing the initial commercial rollouts of DOCSIS 4.0 led by smaller MSOs. We expect DOCSIS 4.0 RAM to accelerate in 2026, which in turn drives content opportunities for our Wi-Fi 7 and Ethernet solutions. In the Ethernet market, we continue to see the adoption of our innovative high-functionality, low-power consumption, 2.5 gigabit Ethernet switch and PHY portfolio into commercial, enterprise, and industrial applications. This market continues to grow as demand for higher data rates and increased bandwidth intensifies, and 2.5 gigabit Ethernet is well positioned to bridge the gap between gigabit Ethernet and costly higher speed options of 10 gigabit Ethernet. In conclusion, in the last 12 months, we delivered significant and sustained improvement in our business, driven by strong revenue growth, growing profitability, and positive cash flow generation. Through our strategic investments in high-value end markets, such as high-speed data center optical interconnects, wireless infrastructure, multi-gigabit PON access, storage accelerators, Wi-Fi connectivity, and Ethernet. We're driving strong product traction with Tier 1 customers and partners. Our success in these areas, combined with the incremental tailwind from the ongoing recovery in our core markets, strongly positions MaxLinear for exceptional growth in 2026 and beyond. With that, let me now turn the call over to Mr. Steve Litchfield, our Chief Financial Officer and Chief Corporate Strategy Officer.

Steve Litchfield | Chief Financial Officer & Chief Corporate Strategy Officer:

Thank you, Kishore. Total revenue for the third quarter was $126.5 million, up 16% from $108.8 million in the previous quarter and up 56% from $81.1 million in the third quarter of 2024. Infrastructure revenue for the third quarter was approximately $40 million, broadband revenue was approximately $58 million, connectivity revenue was approximately $19 million, and our industrial multi-market revenue was approximately $9 million. GAAP and non-GAAP gross margin for the third quarter were approximately 56.9% and 59.1% of revenue. The delta between GAAP and non-GAAP gross margin in the third quarter was primarily driven by $2.6 million of acquisition-related intangible asset amortization. Third quarter GAAP operating expenses were $113.2 million, and non-GAAP operating expenses were $59.5 million. The delta between GAAP and non-GAAP operating expenses was primarily due to stock-based compensation and performance-based equity accruals of $32.5 million combined, restructuring costs of $11.3 million, and acquisition-related costs of $9.6 million. GAAP losses from operations for Q3 2025 was 33%, and non-GAAP income from operations in Q3 was 12% of net revenue. GAAP and non-GAAP interest and other expense during the quarter was 2.1 million and 1.8 million, respectively. In Q3, net cash flow provided in operating activities was approximately 10.1 million, We exited Q3 of 2025 with approximately $113 million in cash, cash equivalents, and restricted cash ahead of our 2025 plan. Our day sales outstanding was down in Q3 to approximately 39 days. Our gross inventory was approximately flat versus the previous quarter with inventory turns improving to 1.8 times. This concludes the discussion of our Q3 financial results. With that, let's turn to our guidance for Q4 of 2025. We currently expect revenue in the fourth quarter of 2025 to be between $130 and $140 million. Looking at Q4 by end market, we expect to see some seasonal moderation in broadband and connectivity coming down from Q3, but expect growth from infrastructure and the industrial multi-market. We expect fourth quarter GAAP gross margin to be approximately 56.0% to 59%, and non-GAAP gross margin to be in the range of 58 and 61% of revenue. We expect Q4 2025 GAAP operating expenses to be in the range of 92 to 98 million. We expect Q4 2025 non-GAAP operating expenses to be in the range of 57 to 63 million. We expect our Q4 GAAP interest and other expense to be in the range of approximately $2.2 to $2.8 million. We expect our Q4 non-GAAP interest and other expense to be in the range of $1.9 million to $2.5 million, with FX volatility being the primary risk. We expect a $2.5 million tax benefit on the GAAP basis and a non-GAAP tax provision of approximately $2 million. We expect our Q3 basic and diluted share count to be approximately 87.5 and 91.1. In closing, it's gratifying to see some strong improvement in our business over the past four quarters, marked by continued growth in customer orders, expanding traction across product portfolio, and our solid return to profitability. Our focused investments in strategic high-growth areas such as optical high-speed interconnects, wireless infrastructure, storage, Ethernet, Wi-Fi, and fiber PON gateways are beginning to generate exciting business opportunities that we expect to further grow in revenues in 2026. This reinforces our confidence in our sustainable growth and profitability into 2026 and beyond. With that, I'd like to open up the call for questions.

Operator | Conference Operator:

Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star 2 if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment please while we poll for questions. Thank you. Our first question comes from the line of Tor Savinberg with Stifel. Please proceed.

Tor Savinberg | Analyst, Stifel:

Yes, thank you, and congratulations for the results. So I had a question for you, Kishore. So, you know, with the Q4 guidance, companies pretty much tracking to 30% year-over-year growth during 25. You did say you expect exceptional growth in 26 and beyond. I know you typically don't give guidance, obviously, more than a quarter out, but Can you, you know, maybe put some context on that comment in relation to the, you know, about 30% that the company is going to grow here in 2025?

Dr. Kishore Sindhribut | Chief Executive Officer:

Thank you, Tory. Obviously, you know, 2025, if you compare it to 2024, was exceptional growth overall, and the return to profitability now is pretty solid. So, and that's quite a significant growth in the overall of the semiconductor company. You look forward, if you look at the street numbers, they're about 20% odd into 2026. And that, I think, is about two times what the industry is expecting. Having said that, we have a lot of optimism based on the design win activities across our product portfolio, be it infrastructure, inside infrastructure, the optical customer wins, and the timing of the volume ramps. And then we have our uh winds in wireless infrastructure those are accelerating and also our store is actually a business we do expect broadband to moderate somewhat if you look at how strongly broadband has grown as the recovery has set in but we still see growth with taking market share in these areas so overall we try to be very cautious because a big part of the growth is coming through the infrastructure markets And it's a pretty large, complex systems. And, you know, and there's a lot of customer concentration, some of these big markets. So we are just, we are being conservative, but we also are at the same time displaying optimism in terms of the sheer breadth of the acceleration that we are seeing based on design and customer activity. And, you know, what I call booking strength that we are seeing, you know, so. I would like to tell you more, but at this point, you know, let's continue to deliver the numbers is the way I look at it.

Tor Savinberg | Analyst, Stifel:

Yeah, no, that's fair. And as far as the infrastructure segment, so, you know, obviously, you know, we know what's going on on the data center side and the optical business you have there. But I think the one with the more surprising thing is all the strength that you're starting to see on the wireless side. Obviously, you have some, you know, company-specific companies product cycles there, but it also sounds like the service providers are starting to spend some more CapEx again. So, you know, just hoping you could add a little bit more color there and, you know, how should we think about the wireless part of the infrastructure segment for Canada 26?

Dr. Kishore Sindhribut | Chief Executive Officer:

Absolutely. I do see the wireless infrastructure, you know, there's a the telecom operators are beginning to spend on their infrastructure now. So I know three years ago that was the topic du jour, but really now they're spending coming from a period of lean investment. And we are seeing a lot of traction for our Sierra product line. And we are the only single chip solution provider for the remote radio units for the RAN network. So we're getting pretty strong traction. And I talked about And the quality of the product speaks for itself with the two big North American telecom operators who are actually Q3 qualified are in the ramp phase. Now, how much do we expect it to grow? If you combine our millimeter wave, microwave backhaul infrastructure and wireless access is still in its initial ramp with Sierra, I think we see a pretty strong growth, maybe in the same order of, you know, as optical, let me put it that way, in the same order of magnitude. But I do want to emphasize this point, right, is that infrastructure is a category of a max linear now you're seeing is getting substantially as a big percentage of overall revenue. That was the growth that we had invested strategically for the last five years. And now I still remain by my position that in the next two to three years, this infrastructure revenue should be in the $300 to $500 million range. And I feel really, really proud of our team that we stick with the plan and we're executing to it. Okay? That's great, Carlos. Thank you, Kishore. Thank you, Dory.

Operator | Conference Operator:

Thank you. Our next question comes from the line of David Williams with Benchmark Company. Please proceed.

David Williams | Analyst, Benchmark Company:

Hey, congrats on the really strong progress here. It's great to see, and thanks for letting me ask the question here. So maybe first, George, if you kind of think about the optical side of the business and the strength that you've had there, you've got some qualifications, you've talked about some ramps. Just kind of wondering if you maybe could give us some insight into how you think that will trend for next year. Could it be another doubling of that revenue? Or maybe how do you think about just that infrastructure piece or the optical piece and infrastructure things?

Dr. Kishore Sindhribut | Chief Executive Officer:

I would like to say everything is a possibility, given where the traction is right now, but we have also seen movements in the shifting of where we think a certain particular data center is going to ramp or a large enterprise customer. Currently, a big part of the revenue in this year on the optical at the data center connectivity is coming from 400 gigabit solutions, but now towards the end of the year, in 25 and into 2026 800 gigabit is is beginning to grow so that that kind of gives you a sense of our momentum in terms of what which data centers where what we are tracking and i feel that the 800 gigabit side we are not any different than any and and the normal course of where the data center guys are in terms of the various rollout um so i think I would have liked to see even more traction than I'm speaking about, but I am also now, while we're very proud of where we are, but we butted against pretty entrenched to other competitors, and that's taken a while to start cracking open, and it is definitely cracked open. And as far as OEMs are concerned, all the major OEMs, we are part of their solution portfolio, and I hope we are their favorite one, if not today, in the future, right? That's our goal here. Okay?

David Williams | Analyst, Benchmark Company:

Perfect. Thanks for the color there. And then maybe, Steve, just kind of thinking about the gross margin guidance, I think just the – 30 basic points there that you're guiding to would imply maybe a 64%, 65% type of incremental margin. Does that seem fair? And what are maybe the moving pieces there for that margin improvement for next quarter things?

Steve Litchfield | Chief Financial Officer & Chief Corporate Strategy Officer:

Yeah, David, I think we're kind of finally starting to see things improve a little bit. I mean, as revenue, you know, really starts to ramp back up to some more material levels and naturally the mix. as we talked about a while. I mean, you're seeing our infrastructure business continue to grow at a faster rate than the rest of the business, has a little higher gross margin mix. And so, pleased with the progress looking into next year. You know, hopefully we can continue to see that.

Dr. Kishore Sindhribut | Chief Executive Officer:

You know, and as the growth is picking some momentum and, you know, the lead times and the fabs and everything have dramatically increased as well. We're not the only one, looks like, who needs capacity. And, you know, the fabs have been increasing prices as well. And, So we are not where we wanted to be on gross margins, but all the good work our team does seems like the facts are consuming it. So, yes, we are making good progress, but not as much as I'd hope on the gross margin front.

David Williams | Analyst, Benchmark Company:

Well, thanks again for the time, Dylan. Certainly appreciate it. It's great to hear the much better, more optimistic outlook here.

Dr. Kishore Sindhribut | Chief Executive Officer:

Thank you, David.

Operator | Conference Operator:

Thank you. Our next question comes from the line of Joe Quattrochi with Wells Fargo. Please proceed.

Joe Quattrochi | Analyst, Wells Fargo:

Yeah, thanks for taking the question. Maybe another one on the data center optical side. You know, just trying to take another stab at your expectations for 26. I mean, we've seen a lot of, a number of AI data center, you know, announcements over the last few weeks. Just curious how your visibility or pipeline of opportunities has changed since a quarter ago.

Dr. Kishore Sindhribut | Chief Executive Officer:

Look, a quarter is a long time, but also it's a very short time in the data center world, right? These interops, one of the biggest learnings for me is the interops always take longer than they tell you, and they're always juggling their current build-outs versus qualifying new players. So having passed the threshold with the major data centers on the interops, it has a way of generating its own momentum of maxillaneous product. So naturally, you can tell by our tone, we're very, very excited, and we're getting a lot of what I call pull now in terms of design win activity and such. So obviously, we're feeling very, very better. And like I told in response to Tori's question, we feel very, very good. And the growth that we expect for optical or wireless infrastructure is of the same order, and infrastructure will grow very, very nicely next year.

Joe Quattrochi | Analyst, Wells Fargo:

Got it. And then on the broadband connectivity side, you know, I appreciate that it's typically seasonally down in the December quarter. Any sort of help in just terms of kind of framing, you know, this year relative to normal seasonality, just given I think there's been some inventory kind of, you know, things at play there?

Dr. Kishore Sindhribut | Chief Executive Officer:

Okay, maybe Steve will give you a little bit more. Normally we see seasonality that sometimes December, sometimes is the Q1. So we have always had that uncertainty for the ones who have followed us historically. So I would say this year is a little bit different in the sense the core recovery was happening, but the big growth came through what I call cable recovery and But we are winning designs on the pawn side. We're very excited about the major telecom provider. Hopefully you'll get one of our boxes at your home, so to speak. So pawn is poised for very strong growth, but we do expect moderation. Look, we grew 80% year over year. So I think by any means, the broadband market is not naturally that kind of a growth vehicle, but it will moderate.

Steve Litchfield | Chief Financial Officer & Chief Corporate Strategy Officer:

Yeah, I think the only thing I would add, Joe, is maybe speak a little bit broader in 26 and 27. I mean, we are seeing nice CapEx spends over the next two years. You know, you're seeing the telco guys rolling that out right now. We're certainly participating, as Kishore stated, and that's exciting because it's new business for us. At the same time, you still got kind of this DOCSIS upgrade that's happening that has a meaningful content improvement. And, you know, that's going to start kind of late 26 and even into 2027. I think some of the cable operators have been delayed a little bit with some of the amps and the node upgrades that are happening. So maybe to the earlier point, yes, a little bit of moderation in the short term with regard to seasonality. But I think our outlook is, you know, continues to be strong over the next couple of years.

Suji Del Silvia | Analyst, Roth:

Thank you.

Steve Litchfield | Chief Financial Officer & Chief Corporate Strategy Officer:

Thanks, Joe.

Operator | Conference Operator:

Thank you. Our next question comes from the line of Tim Savojo with Northland Capital Markets. Please proceed.

Tim Savojo | Analyst, Northland Capital Markets:

Hey, good afternoon, and my congrats as well on the strong results. I want to come back and touch on a couple of questions that have already been asked, and I guess it has to do with the accelerating growth commentary. which I don't know if that first comment was relative to the entire business, 26 over 25, but I think I definitely heard that comment made with regard to the optical data center piece. I just wanted to kind of clarify that and, you know, get, I guess, a little more color on where you guys are headed with those comments. Thanks.

Dr. Kishore Sindhribut | Chief Executive Officer:

So, uh, clearly, uh, it's not related to where the business was 24 versus 25 is really related to the new opportunities that we are in front of us. Obviously the new opportunities will grow much faster than what the overall business that it's pointing to based on streets, uh, numbers around 20% growth or so for the company. So, uh, the acceleration we're talking about is really in terms of, uh, the various opportunities here. Okay. The first one is the data center connectivity. Then I told wireless is in the same order infrastructure. And then we have storage accelerators. Those are all brand new or exciting data center type driven markets. Those are where the exciting growth is. Very, very strong growth. They're all about the company's overall growth rate. then we said broadband will moderate to its potentially normal level. But within broadband with the puts and takes, PON is going to grow strongly because it's large North American operator coming online. And so those are the buckets I would look at as strong growth opportunities that are accelerating. And at the overall company level, that translates to a pretty robust growth that I referred to earlier. Okay.

Tim Savojo | Analyst, Northland Capital Markets:

Yeah. Okay. Um, let me, let me try one more time. So if we take AI optical in particular, you know, somewhere in the middle of your range, and I'd be interested in as an aside as to whether you have any thoughts about the higher low end of that 60, 70 million ranges that we stand here in October. Um, but assuming we're mid range, that's, you know, 80, 90% growth, something like that. So accelerating growth there would be, you know, up toward triple digits. And from an absolute dollar standpoint, I think what you're telling us is that growth you should see on the wireless side as well. I want to make sure I got that right. And I'll have one more very quick one.

Steve Litchfield | Chief Financial Officer & Chief Corporate Strategy Officer:

Yeah, so Tim, since nobody likes too short answers, I'll try it. Joking aside, look, I think we're very excited about the outlook on the infrastructure side. I mean, optical is clearly where we've been spending a lot of time and efforts, and we're seeing, you know, that potential that you're referring to. I think we're having a great year this year. It's very back-end loaded, and, you know, looking out into next year as these new data center wins. know ramp into production uh yeah i mean these numbers go up meaningfully and we're very excited about that are there other pieces in infrastructure that continue to do well yes absolutely and and you know we're excited about those also uh but but data center is going to lead the way from a growth number nonetheless great and that's actually very relevant to my very brief final question which is on the q4 guide

Tim Savojo | Analyst, Northland Capital Markets:

Looks like infrastructure is doing most of the work there, maybe up 20% plus sequentially. Could you break that down between optical or wireless or any other big drivers for that sequential growth in Q4? Thanks.

Steve Litchfield | Chief Financial Officer & Chief Corporate Strategy Officer:

Yeah, look, it's a good question. I guess I would just say with regard to some of that in-market guidance. So you're right. Infrastructure is the biggest contributor in Q4. um i i think that was for the most part expected that you would see uh that particular end market growing the most i mean some of the moderation that we spoke of earlier on broadband and connectivity is modest i mean indeed modest it's not that big uh industrial multi-market is on on the mend i would say and and we're starting to see some some improvements there but i'll I'll keep from going into specifics on all the line items that drive infrastructure growth. But, you know, but suffice it to say, we're very excited about some strong backend infrastructure growth that'll lead to nice revenues in 2026. Okay, operator, maybe next question.

Operator | Conference Operator:

Yep, next question. comes from the line of Christopher Roland with Susquehanna International Group. Please proceed.

Christopher Roland | Analyst, Susquehanna International Group:

Thanks for the question and congrats, guys. So this one's probably for Kishore. So Kishore, I felt like I sensed a bit of hesitation to really extend yourself in the optical guide or comments for next year. You did mention stuff like competition, and, you know, there's a lot to this beyond just kind of pure DSP performance, like laser availability and or bundling and other dynamics. So I was wondering if you could kind of expand a little bit more there on your outlook and what gets you to, like, hyper growth outcome for next year for MaxLinear versus like just a solid growth outlook?

Dr. Kishore Sindhribut | Chief Executive Officer:

That's a very complicated question with lots of dynamics there. I would say, Chris, Yes, availability will be a big issue, whether it is optics or silicon even, for example, that's a big factor. And the other factor is also the timing of our wins and when they translate to actual revenue growth. So at this point, our growth assumption is based on what's already started ramping. So based on that, I can qualify that it'll be very solid growth, very solid growth. Hyper growth is a very hyperbolic question. So it'll take things that are already ramping to be much more, we get even more share than we planned for is one way to look at it. So whatever growth we're referring to, we're not referring to based on many more new design wins, right? We can only project growth based on what we have won and what has started ramping, okay? So I think that kind of sets the stage. So hyperbolic growth would be based off getting much more share than we thought, and solid growth would be based on the shares we assume at this stage in our play in the data center, okay?

Christopher Roland | Analyst, Susquehanna International Group:

Perfect. And then also probably following up on your broadband comments, just as we, you know, you had some comments around DOCSIS 4 as well. Like is this going to be a big driver of new upgrades here and for this business finally? Or do you think like the fiber opportunity and growth there is more meaningful for you guys as we look forward?

Dr. Kishore Sindhribut | Chief Executive Officer:

You know, as the professor always said, it depends. You know, it depends on a number of things. One of the things that it depends upon is, you know, DOCSIS 4.0 ramp. And clearly the main players have delayed their DOCSIS 4.0 ramp because the network upgrades have that they plan for, they have sort of slowed down for whatever reasons, right, due to the complexity of it or not. So that could make a huge meaningful difference on the cable growth. So that brings the question, as you rightly pointed out, on the fiber side. So we have a large North America operator ramping. We are winning a bunch of shares right now and the timing of those. So at this point, when I think of broadband, There are two factors that would make for a meaningful broadband growth and not overly moderated as we were alluding to. One is the DOCSIS 4.0 ramp and rollout. And we are very confident of the North American telecom operator ramping, the second one, the big one. And there are a couple of others that, if the timing is right, that could also set up a nice growth for broadband. Fantastic.

Christopher Roland | Analyst, Susquehanna International Group:

Thanks, guys.

Dr. Kishore Sindhribut | Chief Executive Officer:

Thank you.

Christopher Roland | Analyst, Susquehanna International Group:

Thanks, Chris.

Operator | Conference Operator:

Thank you. Our next question comes from the line of Ananda Barua with Loop Capital Markets. Please proceed.

Ananda Barua | Analyst, Loop Capital Markets:

Hey, yeah, thanks, guys. And, yeah, congrats on the steady progress here. It's good to see. Look, this is a bigger picture growth question. We're all thinking the same way. Let me just ask you this, Kishore. Coming out of COVID, you know, you put up a good growth year coming out of COVID, not dissimilar to 2025, the growth rate. And then you had an amplified growth rate coming off of that year as well with the first year coming out of COVID off of a negative Comp 2. So there's similarities. I think that's why people are probably focused on it. What would be the things, are there any meaningful differences with the business, any meaningful differences with the supply chain, you know, any meaningful differences with inventory right now that would have the pattern coming out of this time around be different than COVID. Obviously, I understand COVID is unique, but the growth rates are actually similar. And you guys have more incremental punchy opportunities market opportunities that you've been preparing for coming out of this pause than you actually did back then. So let me ask that. And then I have a quick follow-up as well.

Dr. Kishore Sindhribut | Chief Executive Officer:

Thanks. Let me try to take a stab at your question. There's a fundamental difference between what we are talking today versus what you saw in the COVID phenomenon, as they call it. That was a very broadband-driven growth scenario. And now it's really infrastructure being a huge part of the growth. And secondly, as always, these events happen. Businesses change, legacy businesses. And so right now, the infrastructure goes, there are components of it that are really primarily brand new revenues. And they have a huge TAM and massive TAMs, much more than anything we were looking at before, where our share of the market is very tiny. So there's a large growth front in front of us as we become successful and continue in our strategy focus and investments. That's I would say. Secondly, the inventory situation is totally different. Nobody is doing excess talking whatsoever, right? So now we are in a place where sell through and sell in, if you will, are kind of in balance equilibrium, let's call it, right? So there's no unusual sort of events of that nature. So on the supply chain side, dramatically different. There are geopolitical issues that are in play now, right? And then there's a large dependency on the foundry choices one can have in the associate markets versus non-associate markets. So very, very different. And the advanced nodes are much more entrenched now than they used to be before. So if you look at 16 nanometer and beyond, it's all FinFET based, versus previously, it was older nodes than 16 nanometers. So I just want to leave it there. And the fabs have now completely muscled on their pricing power. So you have to be incredibly more innovative to maintain your margins, then it's sort of one trick scenario that you can charge margins because you were there at the right time for the right market, but if you're going to be a company like MaxLinear that cross portfolios, you really have to have a sustainable, consistent execution and value proposition to maintain or grow your gross margins. I would say that with the comprehensive color. Okay, so let me allow you to ask your second question. Let's see, maybe Steve is in a better position for that.

Ananda Barua | Analyst, Loop Capital Markets:

Yeah, go for it. That's awesome. Yeah, just real quick on neoclouds. With more hyperscale workloads, AI workloads moving to neoclouds, large ALIs moving to neoclouds, does that necessitate you guys? This is really a infrastructure question, a DSP question. Does that necessitate you guys having to broaden out your relationship set to participate in those. Just fill out that sort of whole paradigm for us. That would be great. Thanks. So that's it for me.

Dr. Kishore Sindhribut | Chief Executive Officer:

Okay. That's a very, very broad, generically generic question, right? We have to broaden our relationships, but we also have to deepen our relationships, which is a very challenging proposition, right? Unless you are in the revenues, conversations are difficult to play. Now that we are in the revenues, those conversations get... It's like a natural, spontaneous, you know, de-frictionization of the system, right? So what I would call acceleration. I'm just worried about the acceleration word, but yeah, I'll use it here. So as you start generating revenue and win the conference, they naturally lead to more dialogues. That's just part for the course. So where you're successful, you have more and more conversations and you can broaden those conversations. Where you're trying to get in, you really have to narrow and deepen those conversations because the general question to you is prove yourself first before you want to talk about everything in the world. But that's pretty standard in any market and the data is much more challenging because they are a world unto themselves, right? So that's how I would describe it. And, you know, the amount of money you have to spend in marketing and support and all is incredibly higher even before you have any revenue. So that's been the other mitigating experience trying to get into these markets. Okay?

Ananda Barua | Analyst, Loop Capital Markets:

Great context, Kishore. Thank you so much. Appreciate it.

Dr. Kishore Sindhribut | Chief Executive Officer:

Yes.

Ananda Barua | Analyst, Loop Capital Markets:

Thanks, Anand.

Operator | Conference Operator:

Thank you. Our next question comes from the line of Quinn Bolton. with Needham and Company. Please proceed.

Quinn Bolton | Analyst, Needham and Company:

Thanks for letting me ask a couple of questions. I guess maybe I'm a little just thick-headed, but I just wanted to come back on the broadband comments. You were talking about moderating or moderation in that business. Are you talking about the growth rate is going to moderate from something like 80% year-on-year to a lower percentage but still growing, or are you talking about the business actually potentially declining next year or And if it declines, is it simply just maybe normalization in cable, the DOCSIS 4 ramp really not ramping into late calendar 26? And so the moderation cable kind of offsets the growth in pawn. Is that the right way to be thinking about it? Or do you think the overall business just still grows? It's just not going to grow at 80%.

Dr. Kishore Sindhribut | Chief Executive Officer:

Hey, Quinn, nobody accused you ever of being thick-headed. I just want to clarify that first, okay? The second part of it is you're absolutely right. We're talking absolute terms and not in percentage terms, right? We don't see overall decline, but on the broadband side, we just see sort of, you know, ho-hum growth through the next year, so to speak, range we are thinking about. Can it grow? I think it was asked by Chris Rowan. that you got the fiber pond design bins that are in place and the DOCSIS IV ramp has to set in to see some good growth beyond this year. That's fairly correct. So, Steve, do you want to add anything more?

Steve Litchfield | Chief Financial Officer & Chief Corporate Strategy Officer:

No, no. I mean, look, the moderation comment is around Q4. That was the guidance. We just talked about Q4. We haven't given any guidance beyond that. But my comments about the market and the CapEx spend, I mean, kind of to Kishore's point, ponds picking up, there's lots of great opportunities. These are all market share gains from X linear market we haven't been in. So really exciting times from that standpoint. And then I think the excitement around DOCSIS is a 50% constant increase, right? So you got the DOCSIS rolling out. You know, we're shipping products this year, but it'll kind of pick up next year and even into 2027. So that content increase, you know, is exciting.

Quinn Bolton | Analyst, Needham and Company:

Got it. Makes sense. And maybe a longer term question for you, Kishore. I think it's pretty well known that optical modules are somewhat supply limited in the near term by supply of EML lasers. But you mentioned silicon as a potential constraint as well. And I think your Keystone product being manufactured at Samsung instead of TSMC, where all your competitors manufacture their GSPs. How much of an advantage do you think that could become if the market for three to five nanometers stays tight?

Dr. Kishore Sindhribut | Chief Executive Officer:

Oh, our keystone, I think it's public information, is the first probably the only 5 nanometer CMOS solution for 100 gig lane product that's in production. And our Rushmore, which is the 1.6 terabit solution, 200 gig per lane, is in Samsung. So that gives you some level of natural diversification because the biggest demand between 800 gig and 400 gig and 1.6 terabit will center around those 5 nanometer node process. And the tightness comes in in the supply there because there's a lot of GPU vendors, et cetera, that are really in mass production in five nanometer and moved into three nanometer moving there. So these are the two nodes that are the most highest occupancy where scale is super, super important for getting more capacity. So while that is a generic comment, it also shows that We have to be cautious about growth. People are constrained, what I call the hyperbolic growth. There are all kinds of factors, right? So it should help in the long run, but in the short run, we are in production in fine animator with our keystone product line, and that's the node we are in. And we're very happy with the support we are getting, of course. Will we need more? There is more growth that just comes our way? Absolutely. It's very hard to plan at this point because everybody's allocated their capacity, and then you have to fight for the extra if you will. Okay? Got it. Thank you, Kishore.

Operator | Conference Operator:

Thank you. Our next question comes from the line of Richard Shannon with Craig Hallam. Please proceed.

Richard Shannon | Analyst, Craig-Hallum Capital Group:

Well, thanks, guys, for letting me ask a couple questions here. First one's probably for Keyshore on DSP here. On the last earnings call, you talked about the potential with your Rushmore family to potentially have some level of incumbency being the first one to be a supplier in any one particular situation. Wondering if that's playing out here. You're expressing certainly a lot of enthusiasm for how things are going there. Would love to get a sense of the degree to which that is happening or you think there's a good chance of it happening.

Dr. Kishore Sindhributt | Chief Executive Officer:

So, obviously, we talked of Keystone, which is what is driving the revenues, the Keystone family of products. But Rushmore is our 200 gigabit per lane that we demoed at OFC. As you are all aware, the incumbents announced that product maybe a few months before us, and so they're a little bit farther along. But our product is highly more differentiated in our view and our belief. so we hope to win we not hope we know we'll be in production in 2026 but at this point we're not making any revenues associated with in my mind uh based on what we have been through on the 200 gig per lane and there's also a a rollout issue on 1.6 derivate at the data centers as well that's really you know 800 gig is not fully rolled out yet too i know we like to get ahead of it and focus on roadmap I think there's time for 1.6 terabit and, uh, but we're in a very good place. So, so Rushmore, yes. Uh, best case would be the end of 26. Uh, but you know, I'm not, uh, I'm being realistic and, uh, but Keystone, Keystone, Keystone, right. Rushmore would be, uh, is a good plan for 27. Absolutely.

spk09:

Okay.

Richard Shannon | Analyst, Craig-Hallum Capital Group:

Okay. Thanks for that feedback. Uh, my second question in an effort to, uh, Express some love for all of our children. Let's ask one quick question here on the industrial multi-market business here. Obviously, it's come down a lot the last few years. Looks to be kind of bubbling along the bottom here so far this year. How do we think about the potential scale of this business in the next one to two years? Is this something where you're applying much effort here from a product and sales and marketing point of view to grow it nicely, or is this just more of an afterthought relative to some of the other dynamics in your business? Thank you.

Dr. Kishore Sindhributt | Chief Executive Officer:

Look, There are some businesses, how much ever money you put in, they take their own time, right? So I would call that we're doing what I call sustainable growth rate investments, as you should in this marketplace. The big hit happened because of geopolitics issues and generally in the industrial market space itself. It's distant memory now, but we lost significant revenue when we were hit with the expiry of our licenses for the government to ship to certain customers in Asia. So the drop was associated with that. And then at the same time, When the market went down, we exercised pricing discipline to maintain a healthy gross margin business. So you could argue that some of those are very deliberate decisions, and some of them were really, really we were recipients of things out of our control. Having talked about investments, even on our industrial multi-market investments are really, really focused around edge cloud data center level of investment. There's a lot of new ways of doing old things inside a data center. You know, I don't want to go into the details into that stuff. And those are giving us opportunities to reposition a portfolio and investments really focused on edge and cloud data center. And we are investing in those elements of it. As a company, our focus right now is a huge focus is on the hugest dollars that are going on are really on the edge and enterprise and cloud infrastructure. And they consume so many components, even in the industrial analog space. And that's where our focus of our investments is. So in short, we are investing, right? That's the statement. Okay. Okay. Okay, fair enough. Thank you, Kishore.

Steve Litchfield | Chief Financial Officer & Chief Corporate Strategy Officer:

Thanks, Richard.

Operator | Conference Operator:

Thank you. Our next question comes to the line of Carl Ackerman with BNP Paribas. Please proceed.

Carl Ackermann | Analyst, BNP Paribas:

Yes, thank you. I have two as well. First question, you know, as we think about your ability to see the broadband segment revenue returning to $100 million a quarter, Could you help us frame the opportunity from your, I guess, your gateway opportunity within that now that it is broadening beyond the single carrier today?

Steve Litchfield | Chief Financial Officer & Chief Corporate Strategy Officer:

So, well, okay, a couple of things. So the pond business is new for us, right? This business has been growing over the last, call it, year and a half. We've gotten a lot of traction. Kishore spoke earlier about the, you know, the two big North America guys that are now using our product. So that's very exciting. But we have several other customers that we're either in production with or designed into on the pawn front. Maybe, I'm not sure if this is exactly your question, Carl, but if I think of content opportunities inside of the gateway, from a dollar content standpoint, a pawn gateway or even a cable gateway, you're talking could be $40 to $50 of content. You know, a lot of that comes from Wi-Fi, Ethernet, the SOC itself. So those are the bigger drivers. We continue to see content increases, right? So that's a big part of the opportunity. It's not necessarily just about unit growth or share gains, which, you know, we're seeing both of right now and expect to see over the next two years. But then that content gain is, I think, the other big driver of revenue.

Carl Ackermann | Analyst, BNP Paribas:

Got it, understood. Shifting gears a bit, could you speak to the breadth of design engagements you have in optical DSPs for 800 gig? And second, when should we expect your revenue from 800 gig to cross over your revenue from 400 gig?

Dr. Kishore Sindhribut‌ | Chief Executive Officer:

Thank you. Okay, let me try to answer the question on the breadth of design engagements. There is... The breadth of the design engagements from our point of view, from where we are, is really all the OEMs or module makers, if you will, where it engages all the major module makers in Asia and in America, whether they're headquarters or not, okay? And so that's a massive engagement across all variations and configurations of not just transceivers, but beyond optical transceivers, okay? And so, So you have to take that into perspective. Now, if you go to the data centers, every data center has got their own roadmap and timeline when they're transitioning. For example, Google is well gone beyond 800. That's well past lost. Let's call it that. We never even engaged with them. I don't think anybody else is engaged except one player. And then there's NVIDIA, which is a whole different new magnitude and size of themselves. We are not participating with that, we talked to you about. But then the remaining areas are going at their own different cadence on, and they're lagging, if you will, in the terms of the deployments. So each engagement, how broad it is, it depends on when you ask the question. At this point, you know, we are engaged with them, but where are we shipping? That's a subset of the hyperscalers between the U.S. and Asia. Okay? Got it. Thank you.

Operator | Conference Operator:

Okay. Thank you. Our next question comes from the line of Suji Del Silvia with Roth. Please proceed with your question.

Suji Del Silvia | Analyst, Roth:

Hi, Kishore. Hi, Steve. Congrats on the progress here. Kishore, you talked about DOCSIS IV having adoption delays or pushouts. Are there technical issues that you could talk about in a little detail to help us understand what is maybe gating larger flagship adoption of DOCSIS IV?

Dr. Kishore Sindhribut | Chief Executive Officer:

Okay, great question. No news. It's as I expected versus what you guys think it should be, right? We know the cable world incredibly well. As I suspected, as we told that, there'll be a lot of DOCSIS 4.0, but most of the deployments will be ultra-DOCSIS. So because the network upgrade, whether it is the node, whether it is the amplifiers, the amps in the system, it's a lot of work. And they just have stability issues in the network to get there. So it's a very slow process. And so they're doing the incremental approach where they hurry us all to invest and be ready, but the deployment is taking the way it does. So that's the only reason. And so... So I still will conjecture that the ultra-doxys 3.0 will be the massive deployment. And, yeah, that would be one statement. And that will go across continents. It's not just a – because you just want to keep in mind 4.0 is a very North American phenomenon. So, Steve, you wanted to say something? Go ahead, yeah. No, it was 3.1.

Steve Litchfield | Chief Financial Officer & Chief Corporate Strategy Officer:

Oh, sorry, 3.1. Yeah, okay, great.

Suji Del Silvia | Analyst, Roth:

Okay, great. Thanks, guys. And then perhaps for Steve, any update on the arbitration? I know that we're approaching the time for that to commence.

Steve Litchfield | Chief Financial Officer & Chief Corporate Strategy Officer:

Sure, sure. Yeah, no big update. I think we're on track arbitration this quarter, but that's going to extend next year. So hopefully we see some resolution sometime in the first half of next year. So on track. I think we're feeling very positive about it. Okay.

Suji Del Silvia | Analyst, Roth:

All right, great. Thanks, guys.

Steve Litchfield | Chief Financial Officer & Chief Corporate Strategy Officer:

Yeah, thanks.

Operator | Conference Operator:

Thank you. Our last question comes from the line of Tori Fabenberg with Stifel. Please proceed.

Tor Savinberg | Analyst, Stifel:

Yeah, two quick follow-ups. I promise they're quick. First of all, so when I look at your various segments, it looks like broadband right now is running about, you know, 10 percentage points above infrastructure. But given the moving parts in calendar 26, it sounds like infrastructure will potentially be slightly bigger as a percentage of revenue. Do I sort of have that direction right?

Steve Litchfield | Chief Financial Officer & Chief Corporate Strategy Officer:

Well, so certainly I think we've been consistent in saying infrastructure is going to be quite a bit bigger, and I think it's on its way. I think you're heading in the right direction.

Tor Savinberg | Analyst, Stifel:

Very good. And then the last one for you, Steve. So OpEx is coming in a little bit higher than where it was. I mean, obviously, you know, your revenues are $6 million higher from Q4, so that's probably expected. But I was just wondering how we should think about OPEX, especially in relation to the restructuring you had early in the year. Does OPEX come down a little bit in the first half, or is this sort of a new baseline?

Steve Litchfield | Chief Financial Officer & Chief Corporate Strategy Officer:

Yeah, so I think we feel – so you're right. It was a little bit higher in the quarter, and the guidance a little bit higher as well. I mean, look, you can see the revenue ramps that – we guided to or we delivered and guided to, I think as you look into next year, that's going to continue. And so I think we've got a lot of big customers that are asking, hey, we need software, we need platform support. Those are the type of efforts that we have to make. And so there's probably a little bit of an adjustment there versus what we had started the year at. I wouldn't say there's much. I think as you look into next year, you start to see some nice operating margins developing throughout the year, and we're really starting to see the leverage in the model that we're excited about.

Dr. Kishore Sindhributֹ | Chief Executive Officer:

Very good. Thank you. Cool. Thank you, Tori.

Operator | Conference Operator:

Thank you. I'd like to turn the floor back over to Dr. Kisor Sindripu for closing comments.

Dr. Kishore Sindhribut | Chief Executive Officer:

Thank you, operator, and also thank you all to those who joined this Q3 quarterly call, earnings call. There are a number of investor financial conferences that are both in-person and virtual that we'll be attending this year. And the details are literally posted on our investor relations page. So we look forward to seeing you there. And thank you for joining us, joining today as well. And yeah, with that, happy Halloween, guys. Okay, talk to you later. Thank you, bye.

Operator | Conference Operator:

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