NASDAQ:MXL Q4 2025 Earnings Call Transcript

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Diego | Operator:

Greetings and welcome to the MaxLinear fourth quarter 2025 earnings call. At this time, all participants are in a listen-only mode. A question and answer session will follow a formal presentation. If anyone should require operator assistance during this conference, please press star zero on your telephone keypad. Please note that this conference is being recorded. I will now turn the conference over to our host, Leslie Green, Investor Relations. Thank you. You may begin.

Leslie Green | Investor Relations:

Thank you, Diego. Good afternoon, everyone, and thank you for joining us on today's conference call to discuss MaxLinear's fourth quarter 2025 financial results. Today's call is being hosted by Dr. Kishore Sindhipu, CEO, and Steve Litchfield, Chief Financial Officer and Chief Corporate Strategy Officer. After our prepared comments, we will take your questions. Our comments today include forward-looking statements within the meaning of applicable securities laws including statements relating to our guidance for the first quarter of 2026, including revenue, GAAP and non-GAAP gross margin, GAAP and non-GAAP operating expenses, GAAP and non-GAAP interest in other expense, GAAP and non-GAAP 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-K for the year-ended December 31, 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 fourth 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 in the press release available on our website. We do not provide a reconciliation of non-GAAP guidance for future periods, because of 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 measures. 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 Sindripu, CEO of MaxLinear. Kishore?

Dr. Kishore Sindhipu | CEO:

Thank you, Leslie, and wishing you all a very happy new year and good afternoon. For MaxLinear, 2025 marked a clear inflection year with resurgent growth. We delivered 30% revenue growth year over year, driven by strong execution and accelerating adoption of our newest products across multiple high-growth end markets. We delivered profitability and positive cash flow ahead of plan. During the fourth quarter, we repurchased $20 million worth of our common stock, reflecting our confidence in our sustained growth expectations and market momentum. Bookings remain robust, visibility continues to improve, and we are entering 26 with strong momentum across our portfolio. We are executing against a focus strategy that is working and will drive sustained strong growth in 26 and 27, investing in high-value multiyear growth markets with performance, power efficiency, and integration matter most. These include data center connectivity, wireless infrastructure, storage acceleration, on broadband access, Wi-Fi 7, and Ethernet in markets. Our infrastructure business is scaling rapidly. Revenue grew 30% for the full year and 76% in Q4 year-on-year, driven by strong growth in data center optical interconnects, wireless infrastructure, and early but meaningful contributions from storage accelerators. Importantly, multiple new design wins are now entering production, positioning us to grow faster in 26 than we did in 25. In 2026, we expect to achieve a significant and exciting milestone. Our infrastructure category should emerge as the single largest contributor to our overall revenues. In high-speed data center optical interconnects, our keystone PAM4 DSP family is now ramping at major hyperscale data centers in both the U.S. and Asia. supporting 400 gig and 800 gig deployments, both for scale-up and scale-out applications. Additional customer ramps are expected throughout the year. Based on this improved visibility, we expect Keystore to generate about $130 million in revenue in 26, with potential upside along with a further step function increase in run rate as we move into 2027. Power efficiency has been a defining competitive advantage for MaxLinear. And we are extending that leadership with Rushmore, our next generation family of BAM4 TIAs and 200 gig per lane DSPs targeting 1.6 terabits interconnects. Rushmore is foundational for next wave of data center optical architectures, including LRO, electrical retimers, AECs, LPOs, and co-packaged optics. With Keystone validating our execution performance leadership, customer engagement for Rushmore is accelerating faster than expected. We expect Rushmore production revenue ramp starting at the end of 2026. We expect a strong showing at OFC in March this year. Also, cloud data centers are now deploying 10-gigabit XGS PON as a robust, dedicated fail-proof control plane conduit for managing high-speed data traffic between data centers. In Q4, we secured our first PON data center design win, addressing this application at a major tier one US OEM provider to tier one data centers in this next generation design. Recently, we also won analog serial transceiver and bridge interface designs for rack management in AI servers at two major US data centers. This is further evidence of how Maximia's broad and deep technology portfolio comprising optical interconnect storage accelerators, spawn, and analog offerings is growing inside the AI data center. Within infrastructure, our Panther hardware storage accelerator SOC family continues to gain design traction with Tier 1 network appliance and cloud service providers. Ongoing storage and high-bit memory constraints for AI scale-up and compute are reinforcing the value of Panther's hardware-based compression high throughput, and ultra-low latency memory data access. In Q3-Q4, we started sampling Panther 5 to leading customers and our partners, including advanced micro-devices or AMD. Panther 5 delivers unprecedented ultra-low latency at 450 gigabits per second throughput and PCIe Gen 5 connectivity. Based on our engagements, we expect strong accelerator revenue to at least double in 2026 versus 2025 and potentially again in 2027. In wireless infrastructure, increasing spending is expected to drive sustained demand through 2026 and beyond as the need for cloud and edge AI functionality continues to grow. Additionally, our wireless access single-chip radio SOC and our millimeter wave and microwave backhaul transceivers and modems are seeing robust OEM customer design and activity, and deployments and multiple tier one carriers are going as per plan. Moving to broadband and connectivity, we delivered another strong revenue quarter across fiber form, cable docks, and Wi-Fi, driven by the early increases in service provider cap expense and continued booking strength and incremental demand. In Q4, we began the large-scale deployment of our single-chip fiber-pawn and 10-gigabit processor gateway SOC plus tri-band Wi-Fi 7 solution with the second major Tier 1 North American carrier. This was a significant competitive win that expands content per box fiber-pawn revenue and market share in 2026. In cable broadband, after a strong 2025, we expect a seasonally soft first half and cable revenue to be down in 26 as the industry transitions and pending a multi-year DOCSIS 4 upgrade cycle starting at the end of 2026. Additionally, in the standalone Ethernet market, we expect 2026 to be strong as a 2.5 gigabit Ethernet switch and PHY portfolio expands into commercial, enterprise, and industrial applications. In summary, we entered 2026 with multiple growth engines ramping simultaneously driven by expanding customer adoption and secular market trends moving in our favor. Our investments over the past several years have uniquely positioned MaxLinear to deliver sustained growth, operating leverage, and long-term shareholder value. We are excited about the opportunities ahead and confident in our ability to execute. With that, let me now turn the call over to Steve Litchfield, our Chief Financial Officer and Chief Corporate Strategy Officer. Steve?

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

Thanks, Vishal. Total revenue for the fourth quarter was 136.4 million, up 8% from 126.5 million in the previous quarter, and up 48% from 92.2 million in the fourth quarter of 2024. Infrastructure revenue for the fourth quarter was approximately 47 million. Broadband revenue was approximately 58 million. Connectivity revenue was approximately 18 million. and industrial multi-market revenue was approximately 14 million. GAAP and non-GAAP gross margins for the fourth quarter increased approximately 57.6% and 59.6% of revenue. The delta between GAAP and non-GAAP gross margin in the fourth quarter was primarily driven by 2.6 million of acquisition-related intangible asset amortization. Fourth quarter GAAP operating expenses were 93.5 million, and non-GAAP operating expenses were $59.2 million. The delta between GAAP and non-GAAP operating expenses was primarily due to stock-based compensation and performance-based equity accruals of $28.1 million combined and acquisition-related costs of $6 million. GAAP loss from operations for Q4 2025 was 11%. and non-GAAP income from operations in Q4 was 16% of net revenue. GAAP and non-GAAP interest and other expense during the quarter was $2.9 million and $2.8 million. In Q4, net cash flow from operating activities was approximately $10.4 million. As Kishore mentioned, we were active in our buyback program in Q4, repurchasing approximately $20 million of our common stock. As such, we exited Q4 of 2025 with approximately $101.4 million in cash, cash equivalents, and restricted cash ahead of our 2025 plan. Our day sales outstanding was down in Q4 to approximately 31 days. Our inventory was down by approximately $8 million versus the previous quarter, with days of inventory improving to approximately 130. This concludes the discussion of our Q4 financial results. With that, let's turn to our guidance for Q1 of 2026. We currently expect revenue in the first quarter of 2026 to be between $130 million and $140 million. Looking at Q1 by end market, we expect to see growth from infrastructure, but some seasonal declines in broadband connectivity and industrial multi-market. We expect first quarter GAAP gross margin to be approximately 56 to 59%, and non-GAAP gross margin to be in the range of 58% and 61% of revenue. We expect Q1 2026 GAAP operating expenses to be in the range of 85 to 90 million. We expect Q1 2026 non-GAAP operating expenses to be in the range of 58 million to 64 million. We expect our Q1 gap interest and other expense to be in the range of approximately 2.1 million to 2.7 million. We expect our Q1 non-gap interest and other expense to be in the range of approximately 2 million to 2.6 million, with FX volatility being the primary risk. We expect a $4 million tax provision on a gap basis and a non-gap tax provision of approximately 0.8 million. We expect our Q1 basic and diluted share count to be approximately 88 million and 91 million, respectively. In closing, with strong bookings and improving visibility, we expect to see solid growth in 2026, driven by new design wins and expanding content opportunities across our product portfolio. We believe we are well positioned, well in large and growing markets, that will be transformative to our business as well as continue to innovate on high-value solutions for our customers that solve next-generation challenges. We will continue to focus on our investment in areas of strategic importance and confident that we will build a solid foundation to deliver sustainable growth and profitability in 2026 and beyond. With that, I'd like to open up the call for questions. Operator?

Diego | Operator:

Thank you. And at this time, we'll be conducting our 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 that 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. Once again, to ask a question, press star 1. We'll pause for a moment while we pull for questions. And your first question comes from Tori Sponberg with Stifel. Please state your question.

Tori Sponberg | Analyst, Stifel:

Yes, thank you, and I forgot some of the results here. Kishore, I was hoping you could talk a little bit more about the time for DSP business. So there's obviously a lot of headlines and things out there on LPO and CPO, but, you know, you seem to be seeing, you know, more and more correction, more and more design wins. sounds like, you know, Rushmore is getting pulled in somewhat. So, could you just walk through some of those dynamics, you know, because obviously that will give us better confidence about the continuous growth of PAMFOR in 26 and 27.

Dr. Kishore Sindhipu | CEO:

So, thank you, Ross. Sorry. Thank you, Tori, for the question. Obviously, you know, this is a pretty significantly confidence-boosting growth that we are seeing. We were guiding to $110 to $130 million. That's, you know, that's a very positive statement about our traction. And we are in the initial phase of the ramp of our 800 gig product solution. And it really pick up more steam and energy the second half. The market as a whole is still a pluggable market, which is going very, very fast. And the LPO deployments as such are very niche-y right now. and i i really look at the lpos per se as a very small fracture of the market and not long term the lros for example i think they have got some traction but there'll be a market that is substantially pluggables and there'll be a fraction of the market in lros and lpos will be sort of you know very very controlled environment limited deployments potentially an 800 geek but less so on 1.6 terabytes So that's our view of the marketplace. Obviously, there's a market that's also beyond that, which is as the scale-up continues, there will be electrical retimers, and that's going to be a huge volume in the scale-up world as well. Talking of CPOs, people are doing CPOs today as sort of, you know, that's your feat in the market, but it still is early innings for CPO. And in the long term, there will be a market that is going to be more varietal than just pure CPOs. You know, the O in the CPO being many number of ways of doing it. Obviously, there's a silicon plane within the CVO market as well. That is what I call a wide IF fast throughput through the optical, and we expect ourselves to be a player as the market evolves. As MaxLia, we are very focused and disciplined, and PAM4 is a huge growing market. We are developing a strong foothold, though we are not the incumbents. But I think today in the world, we are the – We can safely claim we're the top three deployers of PAM-4 DSP. And, you know, as the market strengthens, you know, we hope to branch out and diversify our offerings of what you all know is a very, very robust technology portfolio. I hope that gives you some sense of our technology positioning. From a growth point of view, you know, this year we expect that, you know, they could even be upside depending on how the ramps proceed beyond the one that we feel fairly confident on the visibility and the outlook we have based on the bookings so far in 2026. I hope that answers your question.

Tori Sponberg | Analyst, Stifel:

Yeah, no, that's great, Kala. Thank you, Kishore. And as my follow-up, I had a question on the broadband business and how should we think about, you know, The trajectory there has been moved throughout the year. You did mention you expected to be down year over year because of the sort of transition to DOCSIS 4.0 or the industry waiting for 4.0. What type of decline are we talking about? I know you're guided to be down seasonally in Q1, but, you know, will it sort of decline every quarter this year? Is it going to be more of a moderate decline? Any more color there would be very helpful.

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

Maybe, Tori, I'll take that one. So we did mention that the seasonality certainly plays a role. We're also seeing the upgrade cycle, right, in DOCSIS 4.0. That probably starts the latter half of the year. And so it'll come down in the first half of the year and then probably start to build in the second half. So overall for the year, I do expect it to be down. We did talk a lot about the pond business right in the wind that we have there. So we are excited about that. But even with that, it's still early days in it. And so that's why we do expect to see the broadband business down for the year.

Dr. Kishore Sindhipu | CEO:

Yes. I think the pond is a substantial opportunity, the new tier one that's ramping. And based on the ramp itself, there is potential for growth. for, you know, not to see a downturn, so to speak. And Pond is going very nicely, and we're grabbing market share. And we have many number of designs that we did not have before that will really kick steam in 27 as well.

Tori Sponberg | Analyst, Stifel:

Sounds good. I'll go back in line. Thank you.

Diego | Operator:

Thank you. And your next question comes from David Williams with Benchmark Company. Please state your question.

David Williams | Analyst, Benchmark Company:

Good afternoon. Thanks for taking my questions and congrats on the solid execution. Maybe first, just around the data center opportunity, obviously the DSP is doing really well, but you've got other components that are going into that segment as well. Can you help us kind of understand maybe what the magnitude of opportunity within the data center is and where you're playing and kind of how you think that plays out through the year in addition to the DSP?

Dr. Kishore Sindhipu | CEO:

So, David, this is early innings for us, right? I mean, we have to say that. And the big, big entree is right now with the PAM4 transceivers. And this year, we could do anywhere between 4 to 6 million units of PAM4 transceivers, right? So, but on the other hand, the data center is not just a PAM4 world. There are compute tracks. There are communications between data centers. And that market still will grow as the data center clusters increase and the number of data centers increase as well. So we talked about this exciting design with the tier 1 OEM who is applying to tier 1 data centers and of using PON as a control play layer, not where the data itself is going to be with data centers. And there we are clearly the leaders in the pawn silicon offering, and so we should be very well positioned. So that could be a few. That market size, some of these OEMs have talked about hundreds of millions of dollars of value for the silicon plate. So that's one opportunity. So it won't happen in this one year. It will roll out over the next two years. Hopefully we'll start seeing in 27, and then it grows beyond that. And then there's the other thing where these racks have become really, these compute racks and server racks have become very, very, very sophisticated. They have their own telemetrics. Even the racks are being controlled with microcontrollers and so on and so forth. So you need industry of quality. sort of, you know, transceivers, serial bridges, and so on and so forth, and even smart, you know, smart power management and stuff, and then overall controlling the rack. So, the rack itself is a huge beast by itself. So, we're beginning to start getting design wins in that, and that could be a pretty huge play for rack, if you will. So, at this point, you know, I am not very what I call I don't want to provide market sizing at a level that, you know, we need as a team. But that market is very, very huge. There are a number of players. But we have the portfolio depth to participate in all the big spend that is happening as data centers are being built out. Great.

David Williams | Analyst, Benchmark Company:

Thanks for the color there. And then maybe just finally for you, Steve, just looking at the share repurchase authorization, that clearly signals some confidence, I think, in the growth trajectory, but also on the potential arbitration there. So maybe if you could just kind of speak around the share repurchase authorization and how we should be thinking about that and what you're telegraphing to the street. Thank you.

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

Yeah, David, absolutely. No, I think the board took some actions last quarter, authorizing $75 million of buybacks, took action on it in the quarter, felt the stock was a good place that we wanted to act on it. But frankly, I think the board really wanted to just convey the confidence in the balance sheet. The cash flow improvement, we've talked about it running ahead of plan. It has run ahead of plan now for three quarters in a row. revenue stability and the outlook that we have from the business continues to improve. And so I think our actions kind of follow that, and including the mention of the arbitration as well.

David Williams | Analyst, Benchmark Company:

Thanks again.

Ross Seymour | Analyst, Deutsche Bank:

Thanks, David.

Diego | Operator:

Your next question comes from Ross Seymour with Deutsche Bank. Please state your question.

Ross Seymour | Analyst, Deutsche Bank:

Hi, guys. Thanks for that question, and congrats on the strong end to the year beginning of this one. Because you're on the optical side, a couple of different questions have already been asked, but the competitive landscape, how are you envisioning that going from Keystone to Rushmore? Do you think your positioning gets even stronger? Are there, you know, the different technologies coming in create more competitive pressure? Just how do you think MaxLinear is positioned as we look forward? Thank you, Ross.

Dr. Kishore Sindhipu | CEO:

I won't call you Tori, but just jokingly, a very, very good question. You know, both of you are complimented. So the strengthening is absolutely a word I love. On the next generation 1.6 terabit, our position is strengthening. We're gaining some ground and strengthening versus the competition. And I really feel that we are actually now speeding up a bit related to where we were. And we are now, you know, we feel that we will really start pulling our weight as 1.6 terabit rolls out. And beyond that, what we call our big sky product, 4 gig, 400 gigabit per lane, you know, I think we show our capabilities, our strong, low-power implementation capabilities, integration, and our, very, very well-developed, you know, RF mix signal skills. I think we will strengthen our position, and we are strengthening. In certain geographies, at 800 gig, we have strengthened our relative position. Within the U.S., just the timing of our product offerings, we got late at the number three. And, you know, from there, you're fighting to get to the number one and number two. It takes a little bit of a taller order, and income busy has incredible value. So I hope that puts things in perspective.

Ross Seymour | Analyst, Deutsche Bank:

It does. Thank you very much. And I guess pivoting over to Steve, just on the margin front, it sounds like you guys have a strong growth here, especially on the infrastructure side coming in 2026. How should we think about both gross margin trajectory just directionally and OPEX?

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

Yeah, I mean, look, on the gross margin side, I mean, we've been talking about the improvement. We've been demonstrating that over the last four quarters. So we're seeing – As you're aware, the product mix is kind of moving in our favor as infrastructure products typically drive a higher gross margins. Remain confident that we can exit the year at the, you know, kind of starting with a six versus a five. We did guide to the 59.5 at the midpoint of our guidance. I mean, you've got some headwinds with cost increases that are out there, but that being said, I think the mix longer term throughout the year, we'll move in our favor and we'll see some nice improvements. With regard to the OPEX question, look, I don't want to necessarily guide for the whole year, but I mean, I think you've heard from us in the past. Typically, we want to grow OPEX about half the rate of the top line. That being said, I don't think we necessarily – we've been really dialing things back a little bit. We're seeing some nice improvements in efficiency for lots of reasons. And so I actually think we'll see a little bit lower than that. So maybe it's in the 4% to 5% increase this year. Thank you.

Diego | Operator:

Thank you. And your next question comes from Tim Savageau with Northland Capital Markets. Please state your question. Thanks.

Tim Savageau | Analyst, Northland Capital Markets:

All right, go ahead. Yep, sorry. Congrats on the numbers. And first question was, where did we end up 25 in terms of optical DSP revenue? I think you were guiding 60 to 70 million. And can you give us any color there?

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

Yeah, so Tim, I think, so as you know, we don't break out these numbers. I think what we're Consistent with what we've delivered over the last two to three years, I think the guidance that Kishore shared earlier is kind of evidence of what you've seen over the last three years of this doubling that we saw. I mean, keep in mind three years ago we were doing less than $20 million of revenue. And so I think we're really pleased with the progress we've made and very excited about, you know, where we're at. I would probably maybe take the opportunity to – I mean, some of the background of where we exited the year, where we're entering this year. I mean, we mentioned in the prepared remarks about the visibility that we have, the backlog that we have. It's in a much better position, I mean, across all of our businesses, but particularly in the optical side. As you know, we've got 28-week lead times. And really confident in this kind of first half of the year where you've already got backlog. We're you know, pushing to get some upsides in here. And we've already seen a lot of success on that front.

Tim Savageau | Analyst, Northland Capital Markets:

Okay, great. I think we might have talked a little about this last quarter. But just based on the, you know, comments early in the call, I just want to make sure I'm hearing this right. Do you guys think you can go faster than 30% overall in 26? Was that the comment? Because I think the comment was go faster in 26 than 25. Or is there some more nuance or detail around that?

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

So, Tim, I mean, look, as you know, we don't guide the whole year, and we're not going to do it here. We're not going to start today, I guess I would say. But clearly you see from, you know, the – mainly the infrastructure growth, but we're seeing a lot of good traction on the pond side. We're seeing industrial multi-market really see a nice recovery this year. So I'm confident that we can outgrow the industry in 2026.

Tim Savageau | Analyst, Northland Capital Markets:

Okay, thanks.

Diego | Operator:

Thank you. And your next question comes from Carl Ackerman with BNP Paribas Asset Management. Please state your question.

Sam Feldman | Analyst, BNP Paribas Asset Management:

Hi, this is Sam Feldman on for Carl Ackerman. Thanks for taking my question. On optical DSP, do you expect RAM to be linear throughout the year? And is there a reason for the $40 million range?

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

Hey, Sam. So, I mean, actually, just to kind of follow on what I was just speaking about, I do think it will grow throughout the year as we have new programs that will come on and we have share gains that will continue to gain traction throughout the year. But I would also say that it will be very strong right out of the gate in Q1 and Q2 because we do have really good visibility and we have a few customers that are ramping right now.

Sam Feldman | Analyst, BNP Paribas Asset Management:

Got it. Any follow-up? Can you discuss the timing and growth within broadband for the second major tier one North American carrier in calendar 26?

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

Yeah, so it'll, look, we've already started shipping some products. We mentioned that we'd even start in Q4. It'll be still pretty minor in Q1 and start more in earnest in Q2 and Q3.

Dr. Kishore Sindhipu | CEO:

Obviously, if you have good visibility based on the lead times of the supply chain, and the bookings that we have in place.

Sam Feldman | Analyst, BNP Paribas Asset Management:

Understood. Thank you.

Diego | Operator:

Thank you. And your next question comes from Christopher Roland with Susquehanna International Group. Please state your question.

Christopher Roland | Analyst, Susquehanna International Group:

Hey, guys. Thanks for the question. So in your press release and also in your prepared remarks, you talked about gaining market share. I think it was a general comment across your product set, but I was wondering if there are some specific kind of needle-moving opportunities, like in broadband, are you gaining share versus Broadcom? Like what were you specifically trying to highlight there as actual revenue-moving opportunities?

Dr. Kishore Sindhipu | CEO:

Hey, Chris, that's a very good question. It's a very broad statement. I think it's broadly true as well across the various categories, honestly. I mean, if you look at optical transceivers, our revenue forecast reflects that we are gaining share, right, in some form. If you just go by the units, I mentioned 46 million units of transceiver opportunities. Then you see that on the pond side, it's a very, very large Tier 1 player. and in that particular category, we are gaining share versus our competition. On cable as well, we're beginning to gain share that, you know, many years ago was ours. We're gaining share against our competition. And then when you go to storage accelerators, a completely new market that we are paving the path forward with hardware acceleration and compression, so that we have established incumbency as, and that market itself is poised to grow both on the cloud side and the appliance side. And then what else? I mean, it's broadly correct statement, but actually now that you asked the question, I think about it and say, you know what? Damn right, you know? So that would be my response to you.

Christopher Roland | Analyst, Susquehanna International Group:

Excellent. And then back to DSP, you know, we track the transceiver market pretty closely and, you know, we underestimated growth in the market there. It's I think growing faster than anyone expected, at least in terms of expectations for 26. You did suggest that there could be upside to your optical number, but why don't you even have more confidence there just given the upside in demand? And then maybe paired with that, Are there any supply chain constraints that you're seeing out there that would lower your outlook?

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

Hey, Chris. So, look, I mean, I think we're very excited about the ramps that are underway, right, that have already started, and we're picking up traction. I mean, Kishore spoke about the share gains, I mean, where we've won against the competition. So we're seeing that in the beginning of the year. So really excited about those. great visibility into future ramps that are coming with some of the new customers, new wins. You mentioned supply chain. Yes, certainly there's supply chain tightness out there. We're not concerned about that. I mean, we're working with our suppliers. We've seen improvements thus far, so we haven't had any trouble. As you also know, even outside of the optical world, you know, 80 plus percent of our business is really not exposed to that tightness, so that's good. Optical side certainly is, but we've had a lot of success there, and we're very confident in the outlook for this year.

Diego | Operator:

Great.

Christopher Roland | Analyst, Susquehanna International Group:

Thanks, guys.

Diego | Operator:

Your next question comes from Quinn Bolton with Needham & Company. Please state your question.

Ross Seymour | Analyst, Deutsche Bank:

I'll offer my congratulations as well. In the past, you guys have sort of said your GSP wins were more for front end networks. As you start to ramp the 800 gig products here, are you starting to see some of those designs moving into the scale out networks? Or do you think we need to wait for the Rushmore 1.6T product before you start moving into scale out?

Dr. Kishore Sindhipu | CEO:

You know, it's very, very hard to parse. Usually, we already scale up and scale out, you know, They're broad categories, right? There are short reaches and long reaches and mid-reaches, and usually the short reaches are in what you would call the scale-up network, and the longer ones are usually on the scale-out side. So that's happening on the 800-gig side. And so, yes, we are shipping in the scale-up side now, but – I still feel that most of it is still in the scale-out network, the traditional scale-out network.

Ross Seymour | Analyst, Deutsche Bank:

Sorry, just so we're clear, you're shipping in, I guess, what I would call front-end networks, sort of the storage networks driven off the GPU, or are you starting to ship in the GPU to GPU scale-out?

Dr. Kishore Sindhipu | CEO:

That's a more detailed question, but I would just say I'll leave it here. It's just leave it at scale-up networks, and is a smaller portion of the revenue that's starting, and most of it is scale-out networks.

Ross Seymour | Analyst, Deutsche Bank:

Okay. And then I guess, Keisha, you gave us some numbers, both revenue forecast for 26 for optical DSP, and you said that could equate to 4 to 6 million units. If I just do the math, it seems like it could imply an ASP of $25, which seems pretty aggressive. Can you just... Talk about the pricing environment. Do you guys feel like you're pricing below some of the other peers in the market? Is that helping you to gain share? Do you think you're pricing, you know, in line with others in the market?

Dr. Kishore Sindhipu | CEO:

I mean, that's – I think your conclusions are – what you're going is absolutely not true. We try to be very competitive in the marketplace, and we try to ride the product competitiveness of our product, right? And so I don't think in this market you win by pricing. You win, your performance is a must. And it is such an exciting worldwide great phenomenon that's going on. Pricing is the last thing that they would make decisions on, especially in a very, very sophisticated technology. So I think anybody says they're bidding on pricing, they really are not looking in the right market.

Ross Seymour | Analyst, Deutsche Bank:

Got it. Okay. Thank you, Kishore.

Diego | Operator:

Your next question comes from Alec Valero with Loop Capital Markets. Please state your question.

Alec Valero | Analyst, Loop Capital Markets:

Hey, thank you for taking my question. I wanted to ask, what do you see as being the biggest opportunities to gain market share in 2026?

Dr. Kishore Sindhipu | CEO:

I think it's very, very clear, right? We started with optical transceivers as a category that is very meaningful. We have talked about our gains in the storage accelerators in the, for the infrastructure market. We've talked about, I'm listing the sequence of the value, right? Then where the growth is coming, the pawn market share, market revenues increases. And the fourth one is the wireless infrastructure growth. I mean, I'm exactly laying down the sequence of where the big growth in absolute dollars are coming. And I think they'll hopefully track the percentages as well.

Alec Valero | Analyst, Loop Capital Markets:

Got it. Super helpful on that. And just a quick follow-up. You sparked my curiosity on scale-up. I know you mentioned it's small for now, but I wanted to ask you if you can maybe provide some more color on the opportunities there for scale-up.

Dr. Kishore Sindhipu | CEO:

Look, it's a very, very concentrated market from a scale-up point of view, right, if you really look at it. However, it's a huge opportunity inside the rack, if you will, right, the compute systems. And the scale-up opportunity is not just PAM4 interconnects, but there are PAM4 Ethernet retimers and so on on those things. which we have not hit upon. At the UFC, we will be announcing our electrical retimers for the Ethernet product category, and then there is the CPU opportunities as well, right? So it's all playing for us. It's very, very early innings, and right now, let's stay focused. It is a heavy growth engine for us, and we're very excited about it.

Alec Valero | Analyst, Loop Capital Markets:

That's great. I really appreciate it. Thank you and congrats. Thank you.

Diego | Operator:

Your next question comes from Tori Sponberg with Stifel. Please state your question.

Tori Sponberg | Analyst, Stifel:

Yes, thank you. Just two quick follow-ups. Yeah, this is Tori, not Ross, and I'm a big Ross fan. So first of all, the connectivity segment, how should we think about the puts and takes there this year? Because obviously, part of connectivity is tied to cable. or broadband, yet you also have the Ethernet business, obviously, that's doing quite well. So, should we think of connectivity as also being down this year, or, you know, does it have other subsegments growing fast enough to actually make it a growth segment in 26?

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

Hey, Tori. Yes, connectivity certainly grows this year. Wi-Fi will grow this year as Wi-Fi 7 starts to ramp. And then, you know, a lot of our Ethernet products that are transitioning to a nap gig certainly grow this year as well. So both of those.

Tori Sponberg | Analyst, Stifel:

Very good. And my last question is.

Dr. Kishore Sindhipu | CEO:

I just want to remind that of the, sorry, Tori, I want to let you know that cable is a huge part of the market that we have revenues that is not paired with Wi-Fi. So, you know, so. there lies the sort of the dissociation and the association. So, it depends on all that trance as well.

Tori Sponberg | Analyst, Stifel:

Understood. And my last question is sort of going back to the opportunities beyond DSPs. So, you know, you've talked about, you know, having products for AECs. Obviously, you have the high-speed analog products to go after LPO, LRO, and sort of so forth. But, you know, you continue to call those out as very niche markets. So, I guess my question is, You know, if you do see those segments getting more traction, you know, how long would it take for you to become a more material player in some of those areas?

Dr. Kishore Sindhipu | CEO:

Very good question, Tori. So I just want to lay the landscape of the sort of what I call the derivative product roadmap, right? You start with the PAM-4 DSP products. And I know LRO is not an analog product. It is a DSP product. So the LROs is a natural derivative. It doesn't take us long to get there, and we will be pursuing that opportunity. In a short while, we'll have something to show as well. I think there is some traction because in the marketplace, the LROs, because it has led beyond just one particular speed node, if you will, like, So the LPOs have limited niche nature to it because the amount of reach that the LPOs can reach is quite constrained and has to be very structured and controlled. So I do believe that that is a sequence in which it works out, for us at least. And I think that the market revenues in arrows grows much stronger as the speeds increase and the power increases. benefits that LROs will deliver. And I think there are some people who are beginning to try them out. And then, you know, and then there'll be a follow-through on that. So for us, the next 12 months is a place where we will start taking advantage of the product offerings and do these derivative product offerings.

Tori Sponberg | Analyst, Stifel:

Great. Thank you.

Dr. Kishore Sindhipu | CEO:

Yep. Thanks, sir.

Diego | Operator:

Thank you, and we have reached the end of the question and answer session. I'll now turn the floor back to Leslie Green for closing remarks.

Leslie Green | Investor Relations:

Thank you, Diego, and thank you all for joining us. This quarter we will be presenting at a number of financial and industry conferences. Details will be posted to our investor relations site, and we look forward to speaking with you again soon.

Diego | Operator:

This concludes today's call. All parties may disconnect.