NASDAQ:MXL Q1 2026 Earnings Call Transcript

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Maria | Conference Operator:

Greetings and welcome to the MaxLinear first quarter 2026 earnings conference call. At this time, all participants are in a listen-only mode. A brief 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. Thank you. You may begin.

Leslie Green | Investor Relations:

Thank you, Maria. Good afternoon, everyone, and thank you for joining us on today's conference call to discuss MaxLinear's first quarter of 2026 financial results. Today's call is being hosted by Dr. Kishore Sigriput, 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 second quarter of 2026, including revenue, GAAP and non-GAAP gross margin, GAAP and non-GAAP operating expenses, GAAP and non-GAAP interest and other expense, GAAP and non-GAAP income taxes, and GAAP and non-GAAP 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 risks and uncertainties, including risks outlined in our risk factors section of our recent SEC filings, including our 10Q for the quarter ended March 31, 2026, which we filed today. Any forward-looking statements are made as of today, and Max Linear has no obligation to update or revise any forward-looking statements. The first quarter 2026 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 and other expense, and income tax on a both 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 Sindhipu, CEO of MaxLinear. Kishore.

Dr. Kishore Sindhipu | Chief Executive Officer:

Thank you, Leslie, and good afternoon, everyone. Q1 was a strong and important start to the year, and we believe it marks the beginning of a multi-year growth phase for MaxLinear, led by our optical data center business. Revenue grew 43% year-over-year, reflecting strong execution, accelerating adoption of our newest products, improving visibility and bookings, and sustained momentum across our infrastructure

programs. Infrastructure is now our largest revenue category, growing 136% year-over-year in Q1, driven by robust production ramps and optical data center-oriented platforms. We see this momentum continuing to build as hyperscale customers rapidly scale AI-centric architectures. Based on customer orders and rising visibility of the program ramps, we are increasing our expectations for 2026 optical data center revenue to $150 million to $170 million range. We also expect a step function data center revenue increase beginning in Q2 with expected strong upside as run rates expand into 2027. At the center of this data center momentum is our Keystone PAMFORD DSP optical transceiver platform. Keystone is now ramping at multiple major high-skill customers across both the U.S. and Asia, supporting 400G and 800G PAMFORD deployments for scale-up and scale-out applications. These ramps validate our differentiation performance, power efficiency, and integration standards. At OFC this year, we showcased our 1.6 terabit data center platform featuring Rushmore, our 200 gigabit per lane PAM4 DSP, Washington, our matching 200 gigabit per lane TIA, and Annapurna, which is our 1.6 terabit AEC and 3.2 terabit onboard electrical retimer platform for scale-up applications. Rushmore and Annapurna are foundational to the next wave of data center optical architectures, including LPO, LRO, AECs, XPO, and co-packaged optics. With Keystone validating our ability to execute at scale, customer engagement around Rushmore has accelerated faster than expected. We anticipate production ramps beginning in late 2026 with revenue growth expected to continue strong growth through 2027 as the next generation speed and bandwidth cycle unfolds. We are also expanding our footprint within hyperscale data centers beyond PAM4-based optical and electrical interconnects. We have secured our first XGS PON design win at a US hyperscale data center through a Tier 1 OEM partner as cloud operators deploy resilient, dedicated, pond-based control plane architectures spanning multiple data centers. Adjacent to compute, we have also run USB bridge controller designs with two major hyperscalers to support rack-level AI system management, which opens the door to increasing content per rack over time. Our Panther Hardware Storage Accelerator SoC family continues to build momentum with growing design-win activity among tier one network appliance and cloud service providers. Persistent memory constraints are highlighting Panther's advantages in hardware accelerated compression, high throughput, and ultra-low latency memory access. We're actively sampling next generation Panther 5 with key customers, and based on current engagement, we expect storage accelerator revenue to at least double in 2026 compared to 2025. Beyond data centers, wireless infrastructure momentum is improving as carriers increase investments in 5G RAN access and backhaul to support cloud-connected and edge AI functionality. Our Sierra single-chip radio associates are now deployed with multiple North American operators with expanding opportunities as 5G networks continue to evolve. In broadband and connectivity, we are executing large-scale deployments of our single-chip fiber pawn and Wi-Fi 7 gateway platforms with the second major tier one service provider in North America with additional ramps expected later in the year in Europe. These long-cycle deployments provide a stable foundation, leverage the same strengths in integration and power efficiency that clearly differentiate MaxLinear's data center portfolio. In summary, we are very pleased with the strong start to 26 and are especially excited by the momentum accelerating in our optical data center business. With multiple customers entering meaningful ramps of our 800-gigabit Keystone family and broader engagement across our 1.6-terabit Rushmore and Annapura product families across scale-out and scale-up AI architectures, we believe MaxLinux is exceptionally well-positioned for sustained transformative growth. Our disciplined focus on execution and innovation gives us confidence that 2026 will be a pivotal year as we continue to evolve our strategy and deliver long-term value for our customers and shareholders. With that, let me now turn the call over to Steve Litchfield, our Chief Financial Officer and Chief Corporate Strategy Officer.

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

Thanks, Kishore. Total revenue for the first quarter was $137.2 million. up from $136.4 million in the previous quarter and up 43% from the $95.5 million in the first quarter of 2025. Infrastructure revenue for the first quarter of 26 was approximately $63 million. Broadband revenue was approximately $44 million. Connectivity revenue was approximately $19 million. And industrial multi-market revenue was approximately $12 million. GAAP and non-GAAP gross margins for the first quarter was 57.5% and 59.5% of revenue. The delta between GAAP and non-GAAP gross margin in the first quarter was primarily driven by 2.6 million of

acquisition-related intangible asset amortization. First quarter GAAP operating expenses were 96.1 million, and non-GAAP operating expenses were 59.9 million. The delta between GAAP and non-GAAP operating expenses was primarily due to stock-based compensation and performance-based equity accruals of $28.5 million combined and acquisition-related costs and other costs of $6.5 million. GAAP loss from operations for Q1 2026 was 13% and non-GAAP income from operations in Q1 was 16% of net revenues. GAAP and non-GAAP interest and other expense during the quarter was $1.4 million and $1.3 million, respectively. In Q1, net cash flow used in operating activities was approximately $8.9 million. We exited Q1 of 2026 with approximately $89.9 million in cash, cash equivalents, and restricted cash. The primary use of cash was due to substantial prepayment for waivers supporting rising demand for our data center low geometry products for which we have increasing order backlog in the second half of the year. Our day sales outstanding was down in Q1 to approximately 27 days. Our inventory was up by approximately 8 million versus the previous quarter with days of inventory improving to approximately 128 days. This concludes the discussion of our Q1 financial results. With that, let's turn to our guidance for Q2. We currently expect revenue in the second quarter of 2026 to be between $160 million and $170 million. Looking at Q2 buy-in market, we expect to see growth from all four of our business segments with particular strength in infrastructure driven by data center optical interconnects. We expect second 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 Q2 2026 GAAP operating expenses to be in the range of 91 to 97 million. We expect Q2 2026 non-GAAP operating expenses to be in the range of 61 million to 66 million. We expect our Q2 gap interest and other expense to be in the range of approximately $1.8 million to $2.2 million. We expect our Q2 non-gap interest and other expense to be in the range of $1.8 million to $2.2 million with FX volatility being the primary risk. We expect a $2 million tax benefit on a gap basis and a non-gap tax provision of approximately $1 million. We expect our GAAP and non-GAAP dilutive share count in Q2 to be approximately 95 million each. In summary, with strong growth in our data center optical business and several additional high-value products still early in their market ramp, we have transformed MaxLinear into an infrastructure-focused company. Our investments over the past several years have brought us to this point where we are well-positioned to deliver sustained growth operating leverage, and increasing shareholder value. We're excited about the opportunities ahead and confident in our ability to execute. With that, I'd like to open up the call for questions. Operator?

Maria | 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 that your line is in the question queue. You may press star two 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. We ask that analysts limit themselves to one question and a follow-up so that others may have an opportunity to do so as well. One moment, please, while we poll for questions. Our first question comes from Tori Sandberg with Stiefel. Please proceed with your question.

Tori Sandberg | Analyst, Stiefel:

Yes, thank you, and congrats on the momentum here. Kishore, you mentioned optical DSP revenue now tracking to 150 to 170. I think that's about $30 million, $40 million higher than what you had expected before. Just wondering, you know, what transpired, you know, in per quarter, you know, to see such a, you know, steep increase. Is there new customers? Are you basically just seeing steeper ramp at existing customers? You know, any more color you can add on that additional revenue would be great. Thank you.

Dr. Kishore Sindhipu | Chief Executive Officer:

Thank you, Tory. Yes, at the time when we set the guidance, we obviously are looking at a number of ramps, at a number of customers, and we were being conservative. And at the same time, we were also fairly optimistic internally that we should be seeing strong growth coming in the latter half of this year. Now, with all the visibility and the lead times that are necessary for providing the product, we have very good visibility. And the ramps are setting in very nicely, both across 400 gig and 800 gig solutions. So I just think it's all about timing of the ramps and the success of the calls and our ability to scale up to meet the demand, the surging demand we are seeing now.

Tori Sandberg | Analyst, Stiefel:

Very good. And as a follow-up for you, Steve, so you mentioned that prepayment for wafer capacity. I'm just wondering, are you sort of done with that now? Or, you know, should we expect more cash outflows in the coming quarters? And I also noticed you increased the revolver by 30 million. So, you know, anything you can say here on the balance sheet and cash position going forward? Thank you.

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

Yeah, sure, Tory. Not a problem. So, Consistent with what we raised back in Q4 of last year, we knew we would have some working capital needs kind of going in Q4 as well as Q1, so that certainly played out the way that we expected. Are we through it entirely? I mean, I guess to some degree it depends on how much demand continues to improve, right? As that demand improves, certainly we may continue to see some prepayments, but we do, you know, you'll start to see this inflect as the revenues increase. Second part of your question on the revolver, yeah, we did have a revolver that was expiring in June. So, we renewed the revolver. We did, took it up slightly, a pretty minor move for the size of the company and the direction of the company.

Tori Sandberg | Analyst, Stiefel:

Great. Thank you.

Maria | Conference Operator:

Our next question comes from Joe Quattrari with Wells Fargo and Co. Please proceed with your question.

Joe Quattrari | Analyst, Wells Fargo & Co.:

Yeah, thanks for taking the question. Maybe just to follow up on that, I guess, you know, can you talk about just your supply chain and capacity to support the growth that you're seeing? You know, clearly the mix of your growth is a bit different than maybe previously when you were at kind of similar revenue levels.

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

Yeah, Joe, I'll take this. I mean, look, I mean, I don't think it's any surprising when there's some supply constraints out there. But, I mean, I think we planned well for this and worked really closely with the partners on this front. I think we've seen really good success, and we expect to continue to see that going forward.

Joe Quattrari | Analyst, Wells Fargo & Co.:

Okay. And then as a follow-up, can you talk maybe a little bit about the puts and takes on the gross margin guidance? you know, why wouldn't we see maybe a little bit more leverage on the sequential revenue step up that's pretty significant here?

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

Yeah, no, I mean, obvious question. I think this is consistent with what we've been seeing. You've heard my caution on this, Joe, and it's a little bit of the input cost. So certainly there's some concerns out there, waiver costs, packaging, et cetera, are moving up. A lot of cases, you know, The industry, ourselves included, have been able to pass along these costs. And so we expect that to be the case. But just kind of given the uncertainty out there, I think we just want to remain cautious. But you're absolutely right from the understanding that the infrastructure business typically does drive a higher gross margin. So we're very optimistic as we look out, you know, the rest of this year and even into next year in that being a positive influence on our gross margins.

Maria | Conference Operator:

Our next question comes from Tim Savage with Northland Capital Markets. Please proceed with your question.

Tim Savage | Analyst, Northland Capital Markets:

Hi, and congrats on the results and especially guidance. Question on the infrastructure side, and I know that's mostly data center driven, but looks like you grew something, you know, mid-30s sequentially in Q1. and I imagine data center was a big driver there. Given what you're guiding to, do you expect some sequential growth of a similar magnitude in Q2 infrastructure?

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

Yeah, I think, Tim, from my standpoint, I mean, we obviously didn't, we don't typically guide in markets in that level of detail. We did say that it was going up. We did emphasize in our prepared remarks that I mean, as we look at this year, now clearly the infrastructure business has much bigger growth drivers. We have a lot of new products that are ramping with some new customers. So we would certainly expect infrastructure to be a much bigger driver of growth in the coming year.

Tim Savage | Analyst, Northland Capital Markets:

Okay. And to follow up once again, given the step up we're seeing in Q2, do you have any comments about Overall revenue growth expectations for 26 looks like we could be tracking, I don't know, 35, 40%, but any comment from the company?

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

Yeah, I mean, look, we only got one quarter, and we're not going to change that here today. we are very excited about the growth potential that we have and these new customers and the new product ramps. And, yeah, so I think – and, frankly, with the visibility that we have, we start to roll into 27 as well. I mean, I think we're excited to see the growth in 26 and even backlog starting to build into 2027.

Tim Savage | Analyst, Northland Capital Markets:

Thanks very much.

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

Thanks, Tim.

Maria | Conference Operator:

Our next question comes from with Loop Capital Markets. Please proceed with your question.

Unnamed Analyst | Analyst, Loop Capital Markets:

Yeah, good afternoon, guys. Really appreciate the question. And yeah, congrats on doing all the work to get to this place with DSP. It's cool to see it play out. Yeah, you guys are very welcome. Kishore, you mentioned, just this first question is a DSP question. You mentioned to one of the prior questions that around magnitude of step up and guide that you guys had baked in some conservatism, sort of that program start ramp here, and that that contributed to sort of the magnitude of step up and guide Can you guys tell though – I guess what I'm also – what I'm wanting to ask is can you tell if the market ramp feels bigger than what you guys had originally anticipated as distinct of conservatism? And I guess what I'm just – let me just ask that question. Do you have any sense that if the market ramp feels bigger, if the market TAM feels bigger? And then I have a quick follow-up as well. Thanks.

Dr. Kishore Sindhipu | Chief Executive Officer:

So let me answer the first question. Obviously, the TAM expansion is real, or the SAM expansion even more so, the PAM4 DSP expansion is very real as both, you know, U.S. and China Harper scalers are deploying very, very rapidly. And depending on the architecture implementation, the amount of PAM4 DSPs use can vary completely based on the GPU configurations. And so scale up and scale are both equally growing very strongly. So the extent that we are conservative, it's in the balance of thing that's our general positioning as a company, right? So I don't think that's behaviorally any different from us. Do we expect more upsides? Absolutely. We do expect more upsides. That is compensated all the programs reaching full run rates. So I hope that answers the first question. So your second question, please.

Unnamed Analyst | Analyst, Loop Capital Markets:

Oh yeah, on Panther. You had mentioned Panther benefiting from some of the memory dynamics in the marketplace. Can you just walk us through Is that walking through the ways in which Panther is holistically benefiting? Is it as simple as, you know, memory's short, Panther provides performance, and you've been waiting here at Panther as well, so you're benefiting? Or are there more sophisticated, nuanced reasons as well that Panther is benefiting?

Dr. Kishore Sindhipu | Chief Executive Officer:

Yeah. you know, there's always obviously been sophisticated nuance to Panther, right? And now, of course, memory is fashionable, right? Not three years ago when we got punished for some of our actions. But, you know, 60% of the data center spend is in memory. But all memory is not equal. As the AI engine moves forward, accelerates, Low latency, high capacity memory access is super important. So the big benefit of

Panther is it's an accelerator, so it reduces latency dramatically and the power efficiency that brings to it, so it enables much more capability than just a memory compression, right? So I really feel that the performance part related to low latency, high bandwidth access enablement that Panther provides is the key differentiator Thus far, our use of Panther has been really at the enterprise appliance level, if you will, but now these enterprise storage appliances are getting increasingly deployed into mainstream cloud centers. So I really feel there's much more to come with Panther 5 and Panther 6 in the future, and this is just the beginning of our Panther roadmap product family. So we expect this year the revenues to double. We have said that before. And hopefully next year as well, we got very strong growth based on the visibility we have.

Unnamed Analyst | Analyst, Loop Capital Markets:

With all that said, do you feel bigger about the ultimate TAM potential for Panther? Big picture.

Dr. Kishore Sindhipu | Chief Executive Officer:

In the big picture, you know, absolutely Panther has a lot of potential. But Panther as it is today, would not be sufficient, right? The world and the deployment models evolve, so there'll be more investment required, but the TAM is pretty huge, and we just have to keep on converting more of the TAM into our SAM, and that will drive our roadmap.

Unnamed Analyst | Analyst, Loop Capital Markets:

Thank you. Appreciate it.

Maria | Conference Operator:

Our next question comes from Christopher Rowland with Susquehanna International Group. Please proceed with your question.

Christopher Rowland | Analyst, Susquehanna International Group:

hey guys uh thanks for the question congrats on the strong results and i apologize if this was asked but in your prepared remarks or actually in the press release you talked about for optical multiple hyperscalers and previously i think your messaging around optical was it was very broad-based i think you know at ofc we see all the design wins across so many different optical vendors. But this seems like it's a big change and might be changing customer concentration. Perhaps if you could talk a little bit about that. Are you now diversifying around these key hyperscaler opportunities? Is it like one or two or all of them? And... And, yeah, if you could elaborate a little bit as to what seems like is a pretty meaningful change here, that would be great.

Dr. Kishore Sindhipu | Chief Executive Officer:

Yes. Thank you, Chris. It is pretty broad-based, our design, because all the module vendors in the world, so we have designs. We've always maintained that we have designs across all the module vendors. It's taken a while to map the module vendors' victories with the various end data centers while we ourselves had to sort of do the business development work that creates the pull for various module vendors. So even at the end, customers, it's pretty broad-based. Obviously, we'll be concentrating on a few during the ramps, and as the ramp expands into 2027, we'll have other data centers that come online. But even as we speak now, it's a pretty broad-based success. Is there more work to do to expand further? Yes, I think we are only halfway

there to our – end data center diversification across all the hyperscalers. So there's more work to be done, but what Keystone provides is an affirmative statement of Max Glee's ability to successfully get through the interops, supply product at scale. Remember, we were worried about our ability to supply. And provided a scale where it's very confidence-boosting in terms of our credibility as a world-class chip supplier.

Christopher Rowland | Analyst, Susquehanna International Group:

Thank you for that, Kishore. Maybe a quick follow-up, I guess. If you could perhaps talk about... 1.6T, like how you think design wins and the ramp will go there is 800, just kind of the beginning. You know, they're qualifying on 800, and then they have plans to use you guys at 1.6, and they've communicated these plans. And then you also mentioned scale up, optical for scale up. uh in your press release as well um i i i don't think there's a huge transceiver usage for scale up right now mostly scale out so if you could talk about that uh and uh and and what that means for you guys that'd be great as well okay so uh you hit many many number of topics here right so there are going to be different deployment models for scale up

Dr. Kishore Sindhipu | Chief Executive Officer:

to start with, right? There are many, many different product categories on scale-up that are discovered. Having said that, the optical transceivers, 30% of the market is for scale-up, right? And that's a pretty substantial part of the TAM, and 70% is for scale-out today. Our participation in scale-up derives from, you know, from the optical transceivers as well as now the new offering in 1.6 terabit for electrical retimers, which is onboard retimers, and for the active electrical cables as well. Those are all scale-up-based applications. So, So I hope that answers your question of where our scale-up opportunities are coming from. They're really in that 30% of the time I talked about. So moving forward to 1.60, the critical thing to keep in mind is that, you know, there is enormous confidence out there. We're shipping Keystone to major data centers today, and they're ramping very strongly in 2026. And we are now rolled out our 1.60-bit Rushmore product in Annapurna family. for electrical applications. And I think that this level of execution apart and the success with the cloud relationships, module partnerships, and the call and interrupt completion is creating a far more pull for our 1.6G participation than I would have guessed at this point in time. So in a sense, we hope that by the end of the year, we'll have called them 1.60 and start transitioning, not transitioning, I just want to keep this point that 800G 1.6 terabits will probably be one of the most long-lasting interconnect applications in the data center world. So having 1.60 will actually expand our ability to garner more revenues and more market share.

Christopher Rowland | Analyst, Susquehanna International Group:

Excellent. Thank you, guys, and congrats again.

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

Thank you.

Maria | Conference Operator:

Our next question comes from Richard Shannon with Craig Hallam Capital Markets. Please proceed with your question.

Richard Shannon | Analyst, Craig Hallam Capital Markets:

Well, thanks, guys, for taking my question. Maybe I'll follow up on the topic of DSP here and ask a question a slightly different way here, which is obviously your 400 and 800 gig with Keystone are going very well. And I've heard some relatively positive comments about Rushmore so far here. I'd love to get a sense here since it seems like you're gaining some very nice share in Rushmore here, excuse me, in Keystone. To what degree is this conveying directly or could it convey directly to success in Rushmore? And how do you view the potential revenue trajectory over a period of time relative to what you've seen so far with Keystone?

Dr. Kishore Sindhipu | Chief Executive Officer:

Thank God for Keystone, right? So it's, you know, Everything valuable takes a long time. It has taken us a long journey through two, three generations of investment. Now we are into Rushmore. And the success of Keystone makes us an incumbent, right? And the power of incumbency is the ability to have the relationships with the cloud customers, the module makers, the confidence in your ability to supply, and the quality of your product. On the 1.6 terabit solution, I dare say we are in the top tier on the performance category. And our customers acknowledge that. So they are readily going to develop solutions that would be quickly, you know, move to the next phase with calls, et cetera, with the data center folks. As you know, we are not the first ones with 1.6 terabit relative to our incumbent competitors, two of them. So I really feel it bodes very, very well. And with 1.6 terabit, you expect the ASPs to increase, right? So clearly for the same units or even expanding units that are happening, the TAM dollars substantially increase. So as the mix becomes more and more 1.6 terabit, I really believe that it'll have an uplifting effect on our revenues and gross margins, even as our market share expands.

Richard Shannon | Analyst, Craig Hallam Capital Markets:

Okay. Kishore, thanks for that detail. My following question is on the cable and broadband space here. Just generally, I'd love to get a sense of your expectations for the trajectory of this year. Last call, you talked about a soft first half. Certainly, your starting point shows that here. And then talking about calendar 2016 being down, which I completely believe here. But I want to get a sense of any update on that and whether you have any visibility into when DOCSIS 4.0 starts to have an impact.

Dr. Kishore Sindhipu | Chief Executive Officer:

Thank you for the question. Right. You know, we had a spectacular growth here in 25 for broadband grew about 75 percent. And so we had a pullback in Q1, which is also some seasonality built into it. But happy to say that looking forward, all our businesses are growing, actually, you know, which is sort of a. a tailwind that we, as our data center-centric and infrastructure revenues grow, we also have other segments of our diversified portfolio really generating some positive momentum as well. So I'm happy to share that we expect our broadband business to continue to start growing from Q2 and into 2027. And I think cable docks is 4.0 certifications that happen, but some of the operators are still delayed on their network readiness. However, a big growth is coming with UltraDocs in 3.1 and 4.2 into 2027. The one thing that's happened post-COVID is that, you know, during the The down period, right, we have been winning market share in broadband, which bodes very well for our fiber play. In fact, fiber pawn business continues to grow through Q1, Q2. And we started major deployment with the major tier one operator in North America. And that's happening in the second half of the year, for which we've already done pre-shipments. And then later we have European deployments. I think it's all good. It's all growing, and we've been waiting for a time to recover through the COVID slowdown. I think we feel very good about that.

Richard Shannon | Analyst, Craig Hallam Capital Markets:

Okay, great. Thank you, guys.

Maria | Conference Operator:

Yep. Our next question comes from Carl Ackerman with BNP Paribas Asset Management. Please proceed with your question.

Carl Ackerman | Analyst, BNP Paribas Asset Management:

Yes, thank you. I have two qualifications, if I may. Keisha, we're just going back to the – you spoke briefly about cable and broadband just now, but could you be more specific with respect to the June quarter guide? It seems like most of the growth is coming from infrastructure, but can you talk about what your outlook is for broadband, connectivity, and multi-market, and whether they can all grow on a sequential basis in June quarter two? Not in the fall, please.

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

Carl, Steve, yeah, thanks for the question. Yeah, I think we mentioned earlier – All four end markets will be up. I mean, I do expect, you know, a lot of that growth to be from infrastructure, just seeing the inflection that we're seeing from particularly some of the data center products. So, yeah, that is our expectation.

Carl Ackerman | Analyst, BNP Paribas Asset Management:

Got it. Got it. Okay. And then just to follow up on Chris's earlier question, is much of your optical DSP growth coming from hyperscaler-owned designs, and therefore you are qualifying with them directly? or is your hyperscaler exposure predominantly through module vendors providing a merchant solution? Both. Got it. Thank you very much.

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

Thank you, Carl.

Maria | Conference Operator:

Our next question comes from Quinn Bolton with Needham & Co. Please proceed with your question.

Quinn Bolton | Analyst, Needham & Co.:

Thank you, guys. Let me offer my congratulations on the nice results and outlook. Keisha, I guess I wanted to follow up on Tim's question earlier about just the breadth of the growth in the infrastructure business and Q1. Was it predominantly from the optical DSPs or did you see a good contribution from Panther, the wireless access products as well?

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

Quinn, I'll jump in here on this one. Look, so really across the board, I mean, we saw some really good growth from all of the products within the infrastructure segment. I would say from here, you start to see kind of data center really break out. I mean, the other product lines absolutely contribute. Kishore mentioned earlier about Panther. Panther is going extremely well. Wireless infrastructure, which was pretty soft last year, talked about the improvements. We expect to see more of that this year. I mean, those are probably the top three or four products there. Got it.

Quinn Bolton | Analyst, Needham & Co.:

And then I know sometimes gross margin takes a couple of quarters to reflect your product mix because you've got a flow product. you know, sitting in inventory, but you had a, you know, I think 30-ish percent increase in infrastructure in the quarter, maybe a 25% decrease in broadband quarter-on-quarter. I would have thought that would have been a nice tailwind for you. Gross margins were relatively flat. So just wondering, was there anything that sort of held back a gross margin given the mixed shift, or do you think it's just sort of a timing issue? Obviously, the go-forward look and the mixed infrastructure Sounds like it's a nice tailwind to gross margin, just trying to think when we might start to see it show up in the income statement. Thanks, Steve.

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

Yep, certainly. Yeah, no problem, Quinn. Yeah, look, I mean, we came in, you know, more like right at our guidance, what we had talked about. The mix is definitely continuing to improve. I mentioned a little earlier in a separate question about just input costs. I think we're just trying to be cautious as we look forward. But I do, just as you stated, yes, I do believe it's a tailwind. especially as you move into 800 gig, 1.6T, all of those have higher gross margins. So we will certainly continue to see nice benefits on the gross margin side as infrastructure gets to be a larger percentage of our business.

Quinn Bolton | Analyst, Needham & Co.:

Great. Thank you. Congrats again.

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

Thanks, Gwen.

Maria | Conference Operator:

Our next question comes from Suji De Silva with Roth Capital Partners. Please proceed with your questions.

Suji De Silva | Analyst, Roth Capital Partners:

Hi, Kishore. Hi, Steve. Congratulations on the progress here. You talked about 2Q, some of the optical stepping up here. Are the programs all commencing RAMP, or are the other programs phasing in and starting in 3Q, 4Q, just to give us a set of layers across the year, or really are we in RAMP for all of the key programs already?

Dr. Kishore Sindhipu | Chief Executive Officer:

Hi, Suji. There are different product cycles with different RAMPs, and They're all kicking in now, and there'll be some more that'll catch up later in the end of the year. So, you know, it really took a while for them all to start deploying with the drop calls and everything complete, so now we're strengthening, we're seeing strength in each of these layerings based on the bookings we have. Okay, that's helpful, Kalar. Thank you, Kishore.

Suji De Silva | Analyst, Roth Capital Partners:

And then, Kishore, you mentioned in the prepared remarks, I believe I heard wireless infrastructure having playing a part in data center connectivity, maybe data center interconnect or something along those lines. Can you help us understand that opportunity and how big that is as a niche or can that become a mainstream opportunity? Could you repeat that question, Suzy? Oh, the wireless infrastructure, the connectivity helping backhaul for data center and so forth. Is that a niche application or is that a growing application? Yep.

Dr. Kishore Sindhipu | Chief Executive Officer:

You know, if you look at the prepared remarks, I talked about 5G access and transport, and you have seen a number of announcement investments where There's a lot of AI at the edge and AI-enabled network infrastructure. So we see a lot of the telecom infrastructure people on the wireless now gathering some momentum about deployment increases, and especially that means that it changes the transport overhaul, backhaul stuff, as well as certain elements of the access will change as well. So this should all provide us a tailwind on the wireless infrastructure infrastructure. Now, the growth mechanisms in wireless infrastructure, the rates of RAMs will never match those of the data centers. However, you now started seeing, you saw the announcement between NVIDIA and, you know, Marvell, and you're seeing now genuine interest to move towards AI in the DU side of the network on the edge in the wireless side as well. So we should definitely benefit as being one of the top two players in the wireless infrastructure space. Okay, very helpful Kishore, thanks.

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

Operator, do we have one more question?

Maria | Conference Operator:

Yes, our next question comes from Tori Sandberg with Steeple. Please proceed with your question.

Tori Sandberg | Analyst, Stiefel:

Yeah, thank you. Just two quick follow-ups, especially on your new products. So, Kishore, first of all, on Annapurna, obviously this starts with 1.6T, but I'm just wondering, you know, if you could talk a bit about Max Center's positioning there. Are you going to go after all the standards? Obviously, there's Ethernet standards, there's UA-Linked. Are you going to participate perhaps also with some end-to-end fusion protocols? Just trying to understand exactly where you're trying to intersect the market with Annapurna, especially in the retail world.

Dr. Kishore Sindhipu | Chief Executive Officer:

Especially, you know, I know there's a lot of hoopla about AECs because of success of one very successful company on AECs. But if you look at the market size opportunity for a silicon player, the AEC, the retimer market electrical for AI scale it inside the compute server is humongous as the speeds increase. So you're going to see a lot of retimers. Currently, our retimer offering is Ethernet-based, naturally. However, the fundamental physics and the challenges of doing a very, very demanding PHY for the electrical retimer application is done now. So with regard to adding the various standards, that's just an interface game. Now, you can imagine this also lends itself to, you know, other chiplet sort of stories and things like that. So we're laying the framework and the groundwork of building a platform from which we'll have the optionality chase where the SAM and the TAM goes. So at this point, we are in the electrical retimer market for Ethernet-based application.

Tori Sandberg | Analyst, Stiefel:

That's very helpful. And on Washington, I mean, I assume that obviously gets sold with either Keystone or Rushmore, but are you seeing designs as well where your KIAs are perhaps participating on other people's DSP platforms?

Dr. Kishore Sindhipu | Chief Executive Officer:

Right now, Rushmore and Washington are sampling. Customers are using them, but they're very, very excited about the performance. But honestly, I mean, the TIA is beyond the TIA for Rushmore, right? If you think of an LPO strategy, the TIA is a fundamental block. If you think about, you know, LRO strategy, the TIA is a fundamental block. And, you know, Max Day is very well known for his great RF analog skills. So the CPO markets, if they're going to be bare bones, then, you know, the TIA and drive is a natural fit. If they go more sophisticated on the half DSB-based one, we already have the platform offering. But the real question comes as you go towards XPOs, CPOs, and the various manifestations of it. So the full offering is super important. So Washington is the first step in the direction of a fundamental platform that will have multiple derivatives and incarnations.

Tori Sandberg | Analyst, Stiefel:

Makes a lot of sense. Thank you.

Dr. Kishore Sindhipu | Chief Executive Officer:

Yep.

Maria | Conference Operator:

Our next session comes from Tim Savage with Northland Capital Markets. Please proceed with your question.

Tim Savage | Analyst, Northland Capital Markets:

Thanks. Quick follow-up for me as well. And that's on the hyperscale win for PON, which sounds like the data center management stuff. I guess, can you talk a little bit more about the timing there and how significant this opportunity? When would you expect this design win to ramp? Could it be a needle mover of some sort? Thanks.

Dr. Kishore Sindhipu | Chief Executive Officer:

So absolutely, you know, we just secured the win, so we expect a ramp. It is a lot of, you know, qualification that goes through it. So sometime in 27, it ramps, starts ramping. But how big that can be today, I think, you know, this is one of the first of its kind sort of, you know, what I call a very, very interesting development where the data centers are seeing the value of a dedicated, reliable link to control the entire data center network, right? So we expect this time to expand to over hundreds of millions of dollars, but currently our expectation that at our revenues, it's going to be quite a bit of needle mover, even in the next year itself, in the second half on a run rate basis. Thanks.

Maria | Conference Operator:

Our next question comes from Richard Shannon with Craig Hallam Capital Markets. Please proceed with your question.

Richard Shannon | Analyst, Craig Hallam Capital Markets:

Hi, guys. Just have one follow-up from me here, and let's dig in a little bit on the TSP side here. I want to get a sense of how big the other applications outside of what most people assume, and I certainly do, would be. the duplex optical DSP being a big part of it, but how could the rest of that business, that LOR, LPO, CPO, AEC, Retimer, et cetera, how big can that be in a year or two? Can that be 10 or even 20% of that total portfolio? Any sense of that would be great. Thank you.

Dr. Kishore Sindhipu | Chief Executive Officer:

So, you know, we're still in the early innings of how this whole market is going to play out, whether it's CPOs or whether it is, I know people get excited, but still, I think we are three years or out away from determining that. At this point, it's a very small share of the market from a unit's point of view, okay, from a silicon unit's point of view. So I don't expect it to be a huge part of our revenues, but from a TAM-wise, I would rate the optical transceiver DSPs to be the number one TAM, substantially overwhelming the rest. Second would be electrical retimers when that happens, and the third would be AECs. And AECs is C as we go story because there is a certain level of point-in-time application nature to the AEC, and that itself will evolve. So I would rank them in that order, but at this point it's going to be massively overwhelmed by revenues in the optical transceiver PAM4DSP.

Richard Shannon | Analyst, Craig Hallam Capital Markets:

Okay. That's kind of what I thought. Just wanted to hear that. Thanks all for me. Thanks, Kishore. Thank you.

Maria | Conference Operator:

We have reached the end of our question and answer session, which there are no further questions at this time. I would now like to turn the floor back over to Leslie Green for closing comments.

Leslie Green | Investor Relations:

Thank you all. This quarter we will be presenting at several financial conferences, and the details will be posted on our investor relations page. Thank you all for joining us today, and we look forward to speaking with you again soon.

Maria | Conference Operator:

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