NASDAQ:MXL Q2 2026 Earnings Call Transcript

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Paul | Conference Call Operator:

Greetings and welcome to the Max Linear Second Quarter 2026 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, please press star zero on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce Leslie Green, Investor Relations. Please go ahead.

Leslie Green | Investor Relations:

Thank you, Paul. Good afternoon, everyone, and thank you for joining us on today's conference call to discuss Max Linear's second quarter 2026 financial results. Today's call is being hosted by Dr. Kishore Seendripu, 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 third 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 the future financial and operating results, opportunities for revenue and market share across target segments, 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 the risk factors section of our recent SEC filings, including our most recent annual report on Form 10-K and our Form 10-Q for the quarter ended June 30, 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 second quarter of 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 both 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 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 Seendripu, CEO of MaxLinear. Kishore?

Dr. Kishore Seendripu | Chief Executive Officer:

Thank you, Leslie, and good afternoon, everyone. Our Q2 financial results highlight the exciting inflection in our business trajectory and the beginning of a multi-year growth phase for MaxLinear. Overall revenue grew 55% year on year, reflecting strong execution, accelerating adoption of our newest data center products, improving visibility, and gathering momentum in our infrastructure portfolio. With the improvement in profitability in the quarter, we also returned the positive GAAP EPS of $0.02. In addition, with the favorable product mix shift towards our infrastructure business, we are now forecasting Q3 2026 non-GAAP gross margin to be 60% at the midpoint of our guidance range, as well as a substantial increase in our non-GAAP profitability. Infrastructure is now our largest revenue category and grew 145% year on year, driven by robust production ramps and optical data center-oriented platforms. Based on robust customer orders and rising visibility of program grants, we are once again raising our expectations for 2026 optical data center revenue to be between $210 million to $230 million with continued growth as run rates expand into 2027. Keystone, our 100 gigabit per lane, 5 nanometer CMOS, PAMFORD, DSP, and SIRTIS technology continue to ramp into high-volume production at major hyperscale customers across U.S. and Asia for 400-gig and 800-gig deployments. Delivering almost 40% lower consumption in power than competition, Keystone's success serves as the foundation for multigenerational customer engagement that extend to the adoption of next-generation 1.6 terabit and 3.2 terabit optical scale-up and scale-out architectures at 200 gigabit and 400 gigabit per lane speeds, respectively. We expect Rushmold, our 1.6 terabit optical PAM4 DSP at 200 gigabit per lane speeds to become an important optical connectivity growth driver beginning in 2027 which will layer on top of Keystone's successful ongoing grant. Beyond our PAM430 technology, we have comprehensively expanded our portfolio for optical and electrical scale-up and scale-out connectivity opportunities, including GIAs, drivers, and onboard retimers. Together, these products support a broad range of data center architectures consisting of pluggable optics, LRO, LPO, NPO, and CPO, providing customers with greater flexibility in their deployment of next-generation AI and cloud infrastructure using Max Video solutions. Washington, our standalone 200-gigabit-per-lane TIA platform, not only pairs seamlessly with Rush Mode, but it can also be deployed standalone in LPO and NPO implementations that do not require a DSP. As the performance requirements for TIAs and drivers increase significantly at 200 and 400 gigabit per lane speeds, our deep service expertise enables us to drive compelling performance advantages for such customer solutions. Annapurna, a 200-gigabit-per-lane Ethernet retimer platform targets 1.6-terabit active electrical cable and onboard retimer requirements for scale-up in AI systems requiring low-latency, short-reach electrical interconnects within server racks and switches. Annapurna's onboard retimer applications expand our presence into another critical layer of AI infrastructure. For both Annapurna and Washington, we expect initial revenue in 2027, followed by a more meaningful volume ramp in 2028. Outside of optical, our first XGS-born hyperscaler design win for dedicated data center control plane architectures has completed qualification for a 2027 ramp and beyond. Additionally, we have secure design links for USB bridge controllers and two major hyperscalers for AI rack management alongside our broader analog and power management portfolio. These will broaden our engagement across the data center platform and strengthen our strategic positioning with key customers. Our Panther family of storage accelerators addresses CPU, memory and storage bottlenecks. We expect revenues from Panther to roughly double this year with the potential to nearly double again in 27. Outside the cloud data center, we expect edge AI-driven upgrades to 5G wireless RAM access and transport infrastructure to increase demand for our single-chip Sierra 5G radio SOC and our millimeter and microwave wireless backwall RF and morning solutions in the mid to long term. Moving to broadband and connectivity, both categories deliver revenue growth in Q2, driven by large-scale deployments of our single-chip fiberpond and Wi-Fi 7 gateway platforms at major tier-one service providers in North America and Europe. We're also in the early stages of UltraDocs in 3.1 and 4.0 deployments, which will provide additional stability to growth as ramps progress throughout 27 and 28. In summary, we are pleased with our first-half performance and the momentum we have in our data center business. Keystone has established MaxCinia as a proven high-volume, high-quality supplier of 400-gigabit and 800-gigabit BAMFORCE BSPs and service technology. At the same time, our Rushmore, Washington, and Annapurna active electrical cable and re-timer platforms extend our reach into 1.6 terabit optical and next-generation AI infrastructure. With multiple revenue drivers layering on over the next two years, we believe Maxvenia is exceptionally well positioned for sustained, transformative growth and increasing long-term shareholder value. 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, Kishore. Total revenue for the second quarter was $168.8 million, up 23% from $137.2 million in the previous quarter and up 55% from the $108.8 million in the second quarter of 2025. Infrastructure revenue for the second quarter of 26 was approximately $85 million. Broadband revenue grew to approximately $45 million. Connectivity revenue was approximately $24 million. And industrial and multi-market revenue was approximately $15 million. GAAP and non-GAAP gross margin for the second quarter were 57.8% and 59.5% of revenue. The delta between GAAP and non-GAAP gross margin in the second quarter was primarily driven by $2.5 million of acquisition-related intangible asset amortization. Second quarter GAAP operating expenses were $101.8 million and non-GAAP operating expenses were $62.8 million. The delta between GAAP and non-GAAP operating expenses was primarily due to stock-based compensation and performance-based equity accruals of $36.5 million combined and acquisition-related costs and other costs of $2.2 million. GAAP loss from operations for Q2 was 2% and non-GAAP income from operations in Q2 was 22% of net revenue. GAAP and non-GAAP interest and other expense during the quarter was $2.4 million and $2.3 million respectively. Gap EPS for Q2 2026 was $0.02 per share, marking a return to gap profitability. Non-gap EPS was $0.35 per share. In Q2, net cash flow provided in operating activities was approximately $4.8 million. We exited Q2 of 2026 with approximately $93.7 million in cash, cash equivalents, and restricted cash. This included a substantial prepayment of waivers supporting rising demand for our data center products, for which we have increasing order backlog in the second half of the year and into 2027. Our day sales outstanding in Q2 was approximately 28 days versus 27 days in the previous quarter, and our days of inventory was down in the quarter from 128 days to 123 days. This concludes the discussion of our Q2 financial results. With that, let's turn to the guidance for Q3 of 2026. We currently expect revenue in the third quarter of 2026 to be between $210 million and $220 million. Looking at Q3 by 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 third quarter GAAP gross margin to be approximately 57 to 60% and non-GAAP gross margin to be in the range of 58.5 and 61.5% of revenue. We expect Q3 2026 GAAP operating expenses to be in the range of 98 to 104 million. We expect Q3 non-GAAP operating expenses to be in the range of 66 million to 71 million. We expect our Q3 gap and interest and other expense to be in the range of approximately $3.8 million to $4.2 million. We expect our Q3 non-gap and interest and other expense to be in the range of approximately $3.7 million to $4.1 million. We expect a $1.5 million tax provision on a gap basis and a non-gap tax provision of approximately $1 million. We expect our Q3 GAAP and non-GAAP diluted share count to be approximately 99 million each. In summary, our results this quarter reflect the continued strength of our optical products and the momentum we are seeing across multiple growth vectors within our infrastructure business. Our growth and innovation in this area has been transformational, and we believe we are in the early stages of a multi-year cycle characterized by revenue growth and expanding operating leverage. We're excited about the opportunities ahead and confident in our ability to create long-term shareholder value. With that, we'd like to open up the call for questions. Paul?

Paul | Conference Call Operator:

Thank you. We'll now be conducting a question and answer session. If you'd 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 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 is from Tori Svander with Seafull.

Tori Svander | Analyst, Seafull:

Yes, thank you and congratulations on the strong results. Kishore or Steve, you know, you raised the optical transceiver revenue by more than $50 million for this year. Could you talk a little bit about what's driving that? You know, maybe talk a little bit about the, you know, regional nature of that and also if you could give us a sense for the mix between 400 gig and 800 gig. Thank you.

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

Okay, Kishore, would you like to maybe take that one?

Dr. Kishore Seendripu | Chief Executive Officer:

Yes, sorry, thank you. We're obviously very excited about the growing infrastructure business and especially about our success with our RAMs per phone and 800 gigabit optical PAMP4 business. So, you know, as we entered the year, we were more constantly reporting gigabit revenues, but all the revenue growth we are seeing now is driven by 800 gigabit PAM4 success for us. And this will continue to 2027. And as we move later into 2027, our 1.6 terabit Rushmore, will start to generate revenue and will drive growth beyond 27 to 28 and 29. So yes, 800 gigabit is now substantially going to be a bigger portion of our run rate revenues moving forward. With regard to our end customers, we do not share a particular customer name. We have not done that. However, our customers span both U.S. and Asia, hyperscalers and Tier 1 data center customers and OEMs. And at this point in time, we are beginning to see more and more traction and revenue growth that will span both the regions, including the United States.

Tori Svander | Analyst, Seafull:

Very good. And as my follow-up, just thinking about some of the, you know, extension of products that, you know, you're now sampling, you know, whether it's, you know, Washington and Aperna, you talked about 27 contribution. But I'm just curious, you know, should the ramp be mainly in 28? Or could you potentially start to see some ramps with TIAs and re-timers already in 2027?

Dr. Kishore Seendripu | Chief Executive Officer:

So, you know, we, our Rushmore product line, our, you know, our Annapurna and even our TIAs for the 1.6 terabit or 200 gigabit per lane speed has been sampling now. It's customer, it's in the customer call phases and designing process. So we expect revenue to start generating in 2027. So we expect the ramps at one or two opportunities to start somewhere in the second half of the year and then layer on top of that through 28 to 29. So yes, we do have some expectations of 1.6 trillion revenues and for the TIAs as a companion and for Annapurna active electrical cables in 2027. Sounds good.

Tori Svander | Analyst, Seafull:

I'll go back in line. Thank you.

Paul | Conference Call Operator:

Our next question is from Cody Ackrey with the Benchmark Company.

Cody Ackrey | Analyst, Benchmark Company:

Hey, guys. Thanks for taking my questions, and congrats on the strong results and guidance. Maybe if I just get one point of clarification, the increase in the optical outlook, the $50 million increase, that is all just Keystone. Is that correct? That's not counting any Washington or Annapurna revenue in 26?

Dr. Kishore Seendripu | Chief Executive Officer:

That's correct, Cody. That's very correct. It's all driven by Keystone product family.

Cody Ackrey | Analyst, Benchmark Company:

Ann, can you just talk about the visibility you have to that, the order visibility, the backlog builds that's looking into the second half? Can you just give us some color on the extension of your order trends?

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

Yeah, Cody, I can answer that one. Look, I mean, I think this probably goes without saying, but kind of across most of our businesses right now, I mean, the visibility is very good. I mean, kind of given some of the tight supply and just the continued increasing demand, visibility is good. It's going out, you know, on or about six months anyway. So naturally, that gives us the confidence to go and raise these numbers.

Cody Ackrey | Analyst, Benchmark Company:

Thanks for that, Steve. And then just lastly, can you talk about wafer prepayments, maybe the amount that you did in Q2 and any expectation for Q3? And I guess if you can just walk through some of the puts and takes for your gross margin improvement, you know, things like your mix and your incremental supply constraints and and any kind of expedite fees that you may be paying off.

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

Sure. Yeah, not a problem at all, Cody. Maybe just hit the prepayment real quick. Certainly with this increased demand and some of the making sure that we're securing wafers and products for our customers going out, we've certainly started to prepay in a lot of cases. So that was up a little bit in the quarter. We expect that to continue next quarter as well. But, you know, that's all against a product that has backlog out a couple of quarters, right? So comfortable with that. Your question with regard to gross margins. So, you know, a little ahead of schedule here. We're excited about hitting the 60% level in our guidance for Q3. As you're probably aware, the mix of our infrastructure products historically has been well above the corporate average. That continues to be the case today. I do see that continue to expand over the next year or two as our infrastructure business grows, as our 800, 1.6T products start to contribute further. We've been a little bit cautious. We've shared this with investors that You know, just the input cost, the wafer cost increases, the packaging test increases that we're seeing out there. We're certainly, you know, kind of careful as we're seeing this across the board. Some cases you can pass this along to customers, and so we've just been a little bit cautious on this front, but certainly we see improvements from here. Thank you, guys.

Dr. Kishore Seendripu | Chief Executive Officer:

Steve, I just want to add, you know, you can look at the The revenue ramp we've had throughout 2026 and raised expectations, especially with the advanced nodes in 5 nanometer. You know, Keystone is the only 5 nanometer SOC shipping in volume for the 100 gig per lane speeds. At least we were the first ones. You know, we have gotten our forecast when it kept going up. And I must say that our Foundry and OSAT partners have been incredibly supportive. in making sure that we can meet the surging demand as our calls went through and we started laying more and more customer product ramps on our optical products. So yes, supply is tight, but I think having strong relationship and constant communications with our primary partners and OSAT has been incredibly helpful and that goes a long way in meeting our demand.

Cody Ackrey | Analyst, Benchmark Company:

Excellent. Thank you, guys.

Dr. Kishore Seendripu | Chief Executive Officer:

Thanks, Cody.

Paul | Conference Call Operator:

Our next question is from Joe Quattrochi with Wells Fargo.

Joe Quattrochi | Analyst, Wells Fargo:

Yeah, thanks for taking the question. Maybe on the optical side of the revenue guide up, how should we think about the revenue run rate of that in the second half as we're just thinking about the trajectory into 2027? Sure, Joe.

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

Look, I mean, we, you know, as new quolls kind of come through production ramps start, I mean, we started out with a great, you know, run rate going into the year. I think that's just continued to improve. Obviously, raising this number here, you know, kind of sets expectations for 27 as well. So, you know, you would expect that. There's not a stair step. I mean, we continue to see as more customers' qualifications get completed, move into production volumes, you're seeing those numbers go up, and I would expect that to continue into next year.

Joe Quattrochi | Analyst, Wells Fargo:

Thanks. And then maybe on the broadband side, maybe just any update there in terms of what you're seeing from an demand perspective and just kind of some of the timing for some of these transitions. Has anything changed there?

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

Yeah, not a whole lot of changes. I mean, as you know, we've been gaining share on some of our pond programs. That's gone exceptionally well this year. I think as we look out the back half of this year and next year, you know, telco, capex spend continue to be good. Our customers continue to be, you know, rolling out in a lot of cases new programs. If you recall, we've got kind of content increases and a couple of other things. So, yeah, I would say everything's on track on that front.

Ananda Barua | Analyst, Loop Capital Markets:

Thank you.

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

Thanks, Joe.

Paul | Conference Call Operator:

Our next question is from Suji Da Silva with Roth Capital Partners.

Suji Da Silva | Analyst, Roth Capital Partners:

Hi, Kishore. Hi, Steve. Congratulations on the strong progress here. I know you're growing very strong in optical in 26, but I'm trying to understand 27 a little bit. Just, you know, what's the share opportunity, Kishore, as Rushmore grades happen from Keystone? Do you guys have an advantage that it perhaps even grow your share, or should we expect that it holds from The success you have in Keystone.

Dr. Kishore Seendripu | Chief Executive Officer:

So, Suji, obviously the kind of growth we are seeing comes from two factors, right? The market itself is going very, very strongly, and the fact that we have raised our expectation for 26 revenue, which means a higher run rate expectations getting towards second half of 26, which has implications for 27 as well. It's a matter of as and when we learn about the ramps and how strong the ramps are, we're upgrading our revenue expectations. So it's happening in both ways, right? One is through the TAM growth and the other one is through market share growth. So, yes, on both fronts, performance differentiation and increasing traction with successful rollout of our products and various other customers. is having a knock-on effect of more, what I call, more acceleration in the ramps that they are seeing. With regards to Rushmore, obviously, Keystone is a foundational product for MaxLinear. This was the first major one that went to mass rollout from MaxLinear's point of view, even though it represents our third generation of technology. But Rushmore at 1.6 terabit, is now sampling. It's got performance and power advantages that are very, very substantial. And at the same time, it has also got supply chain diversification that is very unique with MaxLinear versus our competition. So if you roll in all these factors, we feel very optimistic and actually, frankly, very excited about Rushmore and the upside potential of ASP increases with the enhanced speeds. So So I think that the same customers that are using Keystone are eagerly working towards deploying our 1.6 terabit. And obviously the call interrupt cycle is a bit longer and natural at higher speeds, but we feel we're very well positioned to be successful with 1.6 terabit Rushmore as well as a successor to Keystone offering. The important thing is my own forecast for the industry is both 800 gigabit and 1.6 terabit will be one of the workhorse speed nodes for a long time to come. So even as Rushmore runs, Rushmore comes online, Keystone will still be having a lot of growth engine and capacity moving forward.

Suji Da Silva | Analyst, Roth Capital Partners:

Okay, sweet. Later on. Great, thanks. And then my other question is on the TIA driver market, the Washington product and so forth. In the 1.60 platforms, are you seeing more kind of creative sort of CPO, LPO architectures that drive higher attach rate and make better use of your products as they break out some of the components there?

Dr. Kishore Seendripu | Chief Executive Officer:

I think you have to look at that for the first time we are actually positioning and marketing Washington as both a standalone TIA and paired with Rushmore. Obviously, the first success we'll have is a paired offering with our own. Sirtis, and PAM-4 DSP, maybe Rushmore. Having said that, as you go to higher speeds, our deep RF expertise is very, very valuable and differentiated. and it's got a lot of potential to be used as a standalone product working with other DSPs and at the same time being designed into LPOs and LRO type of applications. So at this stage, I would say preliminary, we expect our first traction to come from our own pairing with our own device. Okay.

Suji Da Silva | Analyst, Roth Capital Partners:

Very helpful, Kolek and Kishore. Thanks.

Paul | Conference Call Operator:

Our next question is from Quinn Bolton with Needham & Company.

Quinn Bolton | Analyst, Needham & Company:

Hey, Steven, Kishore. I'll offer my congratulations as well. I wanted to follow up on CJ's question just on Rushmore. As you look at the qualification programs you're engaged in now, is that a sort of expanding set or expanding opportunity? Do you think you are sort of going after more 1.6T modules at your customers than, say, you were before? Originally looking at on 800 gig, I'm just kind of wondering, you know, can you tell from the qualification activity whether you think your share continues to increase with Rushmore?

Dr. Kishore Seendripu | Chief Executive Officer:

So, wow, very, very good question. And I'm actually very pleased with where we are. From where we started in Keystone today, I can safely say that We are now comprehensively designed across the board of all of the optical module players, you know, on the 800 gigabit solution across the board. So in a sense, 1.6 terabit now has to systematically get designed to each of those customers where we have laid the foundation with Keystone and then developing their modules, calling them, and then interropping them. So if anything, Keystone has created the footprint for us to roll out 1.6 terabit. Obviously, it's a very multifaceted play in terms of calling 1.6 terabit Rushmore, and it's just being designed in with the module makers. Then it leads to the next phase of calls with the data center operators, and that's when the revenue ramps would start. So we expect this to happen towards the second half of next year, and with some initial revenue ramps starting in 27.

Quinn Bolton | Analyst, Needham & Company:

Got it. And then, Kishore, as you look at the broadband, sort of the CPE gateway business, and you talk to your customers, do those CPE boxes tend to use a fair amount of memory? Is the rising cost of memory causing any sort of delays and rollouts or perhaps lower units? Or do you think that the CPE business is able to absorb the memory cost increases?

Dr. Kishore Seendripu | Chief Executive Officer:

So at this point in time, we do not We have not seen on our solution platforms, you know, effects of memory as being a major driver in their decisions on using a product. If anything, we have been able to share gains because our solution actually integrates a lot of, you know, different implementations, different solutions use, competition uses a lot more external memory than we do. So we actually save our customers a lot more money due to the integrated solution with on-chip memory and, you know, incorporated. So we have not seen much impact with our customers. Obviously, they're absorbing the cost of the memory, and they're able to pass it on to their operator customers. So there is some juggling going on, but at our own level, we have not seen what I call real tangible impact on the volumes that we were expecting and forecasting. for this year and looking into next year. You have to keep in mind that the lead times are pretty long these days, so you get fairly strong visibility based on backlog and bookings.

Quinn Bolton | Analyst, Needham & Company:

Understood. Thank you, Kishore.

Dr. Kishore Seendripu | Chief Executive Officer:

Yep. Thank you, Glenn.

Paul | Conference Call Operator:

Our next question is from Tim Savage with Northline Capital Markets.

Tim Savage | Analyst, Northline Capital Markets:

Hey, good afternoon, and Congrats as well, especially on the guide. Wow. And my first question is kind of about that, which is in terms of what you're seeing here, can you maybe try to be more granular between, you know, overall market growth, uptick in unit volumes, broadly speaking, being a driver here versus share gain on Max Linear's part Maybe at the expense of capacity-constrained competitors. I don't know if there would be another factor, but I'd love to have you weight those two in terms of what you're seeing in the step function here these couple of quarters. I'll follow up from there.

Dr. Kishore Seendripu | Chief Executive Officer:

Go ahead, Steve. Sorry, go ahead, Steve. Okay.

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

Yeah, no, I was just going to say, I don't know that we can, it's hard to break out. I guess from our perspective, I mean, what we're confident in, I think what we are seeing is that we are seeing more market share gains. Certainly the market's growing nicely, but we're seeing our share go up. I think, you know, part of the The rationale from seeing our guidance go up is that we've been able to take additional market share. And so we're seeing that in the short term. And we think you'll also see that, you know, throughout next year as newer programs start to ramp.

Tim Savage | Analyst, Northline Capital Markets:

Got it. And kind of following up on the guidance, I guess would it be, I think it's about $45 million. Would it be fair or perhaps conservative to say the majority of that sequential growth is coming from optical in Q3?

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

Yeah, I guess I would just say that the majority of it's coming out of infrastructure, certainly. I mean, we're seeing growth across that end market, call it much more so than some of the others. The others are going up as we guided, but a lot of that growth is coming from infrastructure. And certainly we upped our optical guide. So that number goes up as well.

Tim Savage | Analyst, Northline Capital Markets:

Got it. And when you talk about growth across the rest of the segments, I assume you're referring to sequential growth there, not year over year.

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

I was. Yeah, just reflecting the guidance. Yeah, that's correct, Tim.

Tim Savage | Analyst, Northline Capital Markets:

Great. And last question for me. Looks like no 10% customers here. And I imagine that, you know, Old Broadband guys are kind of falling off the list. But as we move forward and you continue to ramp in optical, do you have the prospect of having one or more of these module guys as a 10% customer in the near future or in the future in general? Thanks. That's it for me.

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

Yeah, so I think we mentioned this before, Tim. Look, I think we've talked about being in a lot of customers. Kishore just mentioned that again as well. We've got a number of module guys, a number of data centers that we're supplying product into today. But over time, yeah, I do think you'll expect to see more concentration. I think that's well understood as we go into next year. I don't think that'd be surprising at all.

Tim Savage | Analyst, Northline Capital Markets:

Okay, thanks very much.

Paul | Conference Call Operator:

Our next question is from Christopher Roland with Susquehanna.

Christopher Roland | Analyst, Susquehanna:

Hi, guys. Congrats on the results and apologize if this has been asked as I joined late. But in terms of the composition, customer composition, particularly moving forward for DSP, Is there any movement in terms of the balance between hyperscalers versus module makers and then also North America versus like Eastern guys? Or is it still incredibly broad-based?

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

Yeah, you might have just missed this question because it was just before you. We continue to see growth. I mean, Kishore mentioned in the prepared remarks that we're seeing growth out of both regions. So, from a geography standpoint, we're certainly seeing growth on both sides. As far as concentration itself, as mentioned previously, there's not a 10% customer, but I do expect, as we've talked in the past, I think you'll see a little more concentration as we move forward. I mean, there's not tons of these customers. So I think it will be understandable that you'll see some more concentration as we move forward. Okay.

Christopher Roland | Analyst, Susquehanna:

But just to be clear, you don't have one marquee customer pushing?

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

So, Ken, we don't have a 10% customer. It's a little broader base, but you should expect there's a handful of customers that are going to drive the most volumes over the next, call it, six quarters.

Christopher Roland | Analyst, Susquehanna:

Okay, perfect. And then as a follow-up, I think it's been some time since you've given some long-term metrics for the model more broadly. I think at one point in time we talked about 65% gross margins. Do you have any sort of an update for your longer-term model, including what a path might look like to 65%? Does that still hold for you guys?

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

Yeah, so I don't think the target has changed. We certainly feel like with the product mix, the end market that we participate in, that That's still the right goal, and I think there's a path to certainly get there. Raise the number for our Q3 guide goes up a little bit ahead of schedule, so that's good. I think that reflects just our infrastructure business in general, growing at a faster rate than some of the other end markets, and they do have gross margins that run ahead of the corporate average. You know, right now we're seeing lots of increases of cost, right? I mean, whether it be on the waiver side or just test assembly, packaging. So, you know, so doing our best to pass some of those costs along. But, you know, where you're paying premiums in some cases, you know, meeting customer demands. So we're paying a little bit more right now. But I certainly think that there's a strong path to see continued growth out of our gross margins. Thanks, Steve. Thanks, Chris.

Paul | Conference Call Operator:

Thank you. Our next question is from Ananda Barua with Loop Capital Markets.

Ananda Barua | Analyst, Loop Capital Markets:

Hey, guys. Thanks for taking the question. Really appreciate it. Same for me. I apologize if it's been asked. I jumped on late as well. I guess the CSP question, you know, sort of as you look out the next couple of years, guys, and you think about what the drivers of growth are, in any way to help us think about order of magnitude, sort of the growth comes from bigger customer participation, i.e. hyperscalers versus price lifts, from going to 1.6T and 3.2 versus just broader growth in the marketplace. Any help there would be useful. Thanks.

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

Kishore, you want to take that?

Dr. Kishore Seendripu | Chief Executive Officer:

Yeah. Hey, Anand, that's... We answered that question too, you know, as best we could. It's going to take all of those factors to play in our growth expectation plans. It's going to be share growth. There is going to be TAM growth. There is going to be TAM unit growth. And there's going to be ASP growth as we go to higher and higher speeds. At the same time, our footprint inside the data center is increasing. Now we are also offering a broad comprehensive product portfolio of TIAs, drivers, and at the same time, for active electrical cables, we have our Annapurna offering, and also for onboard retimers, right? So as that product portfolio expands and broadens, it can address a number of architectures that include CPOs, NPOs, LPOs, LROs, and other implementations both for optical and electrical scale-up and scale-out implementations. So it's going to take all of those and the good news is that the offering has become more comprehensive and we continue to work towards that to expand that SAM, if you will, of the larger footprint. and we feel we are really making excellent progress getting these into the pipeline and then eventually they will result in multi-year revenue growth and expansion for MaxLinear.

Ananda Barua | Analyst, Loop Capital Markets:

Yeah, that's really helpful, Kishore. Thanks for that. That's really helpful. I guess a quick follow-up is and maybe this also was a talk too earlier on the call, so I apologize if it was. But anything notable either on the technical side of things or on the relationship side of things of note that sort of is helping you move the ball forward over the last 90 days that we should be aware of, that would be useful context for us to be aware of. and that's it for me, thanks. On the DSP, DSP business, thanks.

Dr. Kishore Seendripu | Chief Executive Officer:

Look, everybody matters, right? We are really building on the successful penetration ramp that is happening on Keystone and that itself is a self-reinforcing driver and force actually. So if you really look at the larger picture in the larger landscape today, with the track record of the millions of units of shipments and optical transceiver PAM-4 DSPs. There are only three players right now, and we are one of them. So I think that track record is really, really important. And then having the next generation offering with Rushmore and expanding the product portfolio, all of this play a role into how things move around, how we build relationships. You also have to keep in mind that we are now not just talking about, you know, electrical and PAM-4 optical offerings, the TIS drivers, active electrical cables, and onboard retimers. We also have storage accelerators now in our portfolio that will get more and more important as this agency AI becomes very important and the storage bottlenecks that prevent increasing the number of agents, right? That's very important how we expand that hardware acceleration and compression is going to be very, very important to expand the agents and at the same time reduce the time to first token which all involves lower latency and improving power consumption. So I think we're also showing other parts to the portfolio, including our XGS font for control plane for the data centers. It's going to take a lot of stuff to put together to continue to expand our relationship with the end customers. If you look at our two big competitors, right, they're very large companies and they have a lot to offer to our end customers as well. So it's going to take, you know, working away, chipping away with more offerings that, you know, we could be a full-blown comprehensive player in the data center infrastructure.

Ananda Barua | Analyst, Loop Capital Markets:

Great. Very helpful context. Really appreciate it. Thanks, guys. Thanks, Kishore.

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

Thanks, Ananda.

Paul | Conference Call Operator:

Our next question is from Carl Ackerman with BNP Paribas.

Carl Ackerman | Analyst, BNP Paribas:

Yes, thank you, Dylan. Two, if I may, I'm going to quote a bit from the Questions with respect to Optical, which is well covered, and you've certainly done very well this quarter on that. Could you discuss some of the key drivers for your industrial and multi-market business into the second half of next year? I know you mentioned it was going to grow sequentially into September, but I ask because while this area has improved, you're still halfway from the run rate business you achieved in 2023, and that appears to be Margin Accretive for you. And so if we could just talk about the drivers of that, that could also drive revenue into 20, the second half, into 2027 would be very helpful.

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

Yeah, sure, Carl. I can take that. The industrial business has definitely been recovering. Last year was very weak. We started to see, you know, you're seeing nice year-over-year improvements this year. I think I would expect that to continue next year. I mean, you're starting to hear more improvements More of the industry itself starting to recover, so that's good. And I think we've talked about this a little bit before. Some of this has driven some of the China business. We're actually seeing good pricing improvements in that region, so I would expect pricing as well as new products to contribute to that growth.

Suji Da Silva | Analyst, Roth Capital Partners:

Got it.

Carl Ackerman | Analyst, BNP Paribas:

If I may have a follow-up, within broadband, could you discuss the mix of revenue on fiber today and whether you see that crossing over from cable broadband. Is that something that can occur in 2027? Can you just talk about the growth process between fiber and cable? Within that would be helpful. Thank you.

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

Yeah, good question, Carl. Yeah, you're right. We've been talking about this. I mean, this is an area that is still relatively new. We're a relatively new player, but we've now won the top two guys in North America. So the second guy is ramping this year on track, as we had talked about. So it's definitely growing nicely, the pond business specifically. And as we, I would expect that to continue next year. It's hard to say when the crossover will be. I mean, I would guess 27, but it may push out into 28, frankly, because, you know, some of the upgrades that are happening in the DOCSIS world are also growing. So We're seeing, you know, seeing decent growth on both sides, and it's good to see that Telco's kind of, you know, with some spending there.

Quinn Bolton | Analyst, Needham & Company:

Yep, great. Thank you.

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

Thanks, Carl.

Paul | Conference Call Operator:

Our next question is from Tori Sondberg with Steve Ford.

Tori Svander | Analyst, Seafull:

Yeah, thank you. Just had a follow-up and I'll ask a question that has not been asked. So looking at the filing, looks like your purchase obligations went up about $40 million, but then you also have an other obligations item that I think went up even more than that, $45 million. Can you just explain a little bit, you know, the difference between those two? I mean, you talked about obviously the wafer prepays and so on and so forth. I'm sure there's stuff you've got to do on the back end as well, but Any more color on the difference in those two? Because obviously it's a pretty important increase in both items.

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

Yeah, yeah. I mean, so obviously the purchase obligations are probably the bigger takeaway. We did have some pre-payments. I mean, with the stock price increase that we saw on the quarter, there were a handful of payroll accruals that had to be done as well. And so that's a portion of it around stock comp. But again, the majority is the prepayments. And as we had kind of talked about a little bit earlier, that portion obviously supporting growth in Q4 and into Q1 as those lead times, like we're starting to place orders now for Q1. And that's the majority of those numbers and those commitments.

Tori Svander | Analyst, Seafull:

Got it. And then last question. So there was a little bit of discussion about the long-term model. I mean, you're going to be at 30% operating margin this quarter or at least close to it. I know you've been here before, but how should we think about, you know, that sort of number now sort of being more the baseline going forward, especially in relation to your OPEX guidance?

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

Yeah, I mean, look, I don't want to guide beyond the quarter that we're in, but I think you know our long-term goal is to be between 30% and 35% operating margins. You're absolutely right. You know, kind of headed in that direction, you can kind of see the model starting to move there pretty quickly. I mean, profitability is good. You know, we're seeing good growth next year on the top line. Gross margins are favorable from an OPEX standpoint. Yeah, we'll see some increases in OPEX. definitely supporting, you know, the growth in these areas. But as we've talked about, the operating leverage I think is compelling. It's exciting to kind of see you're right. We've been here before. But, you know, we want to continue to show this kind of long-term sustainability of these profit margins.

Tori Svander | Analyst, Seafull:

Great. Thank you very much.

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

Thank you. Appreciate it, Tori.

Paul | Conference Call Operator:

Thank you. There are no further questions at this time. I'd like to hand the floor back over to Leslie Green for any closing remarks.

Leslie Green | Investor Relations:

Thank you, Paul, and thank you for joining us on today's conference call. This quarter, we will be presenting at a number of financial conferences and virtual events. The details will be posted on the Investor Relations page of our website, and we look forward to speaking with you again soon. Thank you.

Paul | Conference Call Operator:

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