NASDAQ:MXL Q3 2026 Earnings Call Transcript

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Shamali | Operator:

Greetings and welcome to the Max Linear Q3 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 your host, Leslie Green of Investor Relations. Thank you. You may begin.

Leslie Green | Head of Investor Relations:

Thank you, Shamali. Good afternoon, everyone, and thank you for joining us on today's conference call to discuss Max Linear's third 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 your questions. Our comments today include forward-looking statements within the meaning of applicable securities laws including statements regarding our guidance for the fourth quarter of 2026 including revenue, gap and non-gap gross margin, gap and non-gap operating expenses, gap and non-gap interest and other expense, gap and non-gap income taxes, and gap and non-gap 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 and various product and geographic markets, including, without limitation, statements concerning the future financial and operating results, opportunities for revenue and market share gains across our target markets, new products, including the timing of production and launches of such products, demand for the adoption of certain technologies, and our total addressable market. These forward-looking statements involve substantial risks and uncertainties including risks outlined in the risk factor 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 September 30, 2026 which we filed today. Any forward-looking statements are made as of today and MaxLinear has no obligation to update or revise any forward-looking statements. The third quarter 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 in other expense, and income tax on both the 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 Kishore Seendripu, CEO of MaxLinear. Kishore.

Dr. Kishore Seendripu | Chief Executive Officer:

Thank you, Leslie, and good afternoon, everyone. As the ongoing AI infrastructure build-out momentum continues, and as AI data center clusters continue to scale to unprecedented size and bandwidth requirements, we believe MaxLinear is emerging as a key enabler of next-generation connectivity technologies. Demand for our optical data center connectivity and infrastructure solutions continues to

strengthen and we believe MaxLinear is in the early innings of a multi-year AI-driven growth cycle. Against this backdrop, our AI data center business continues to outperform our expectations. In Q3, overall revenue grew 72% year-on-year, driven by accelerating adoption of our optical PAM4 products, expanding customer engagements, and strong execution across our infrastructure portfolio. Infrastructure as a category grew 210% year-on-year, which is now larger than the rest of our revenue categories combined. Reflecting this momentum, we are raising our 2026 Optical Data Center revenue outlook to $250 million to $270 million. With strong visibility in bookings extending beyond 2027, we expect another significant step up in revenue next year. Keystone, our 5 nanometer CMOS, 100 gigabit per lane PAM430's family, continues to ramp rapidly in high-volume production across multiple hyperscalers. Its industry-leading power efficiency and performance position MaxLinear at the center of today's 800 gig optical infrastructure deployments. Looking ahead, we are seeing accelerating customer activity around Rushmore-based 200 gigabit per lane PAMP4 1.6 terabit architectures where qualification programs are advancing toward expected production deployments in 2027. Rushmore is building on Keystone's foundational success and is also expected to become a major multiyear growth driver. Big Sky, our family of next generation 400 gigabit per lane, 3.2 terabit optical and electrical PAMP for interconnect technologies will further catalyze growth as data center network speeds continue to accelerate beyond 200 gigabit per lane. Beyond PAM-430's optics, we continue to broaden our AI infrastructure footprint across optical and electrical interconnects, retimers, control plane connectivity, telemetry, and power management. This strong expansion of content inside the AI data center stack positions MaxLinear to participate across multiple layers of future AI data center architectures. Already, Annapurna, our 1.6TB electrical interconnects product family, addresses 1.6TB active electrical cable and on-board retimer applications for AI scale-up. Washington, our 200 gigabit per lane TIA platform, not only supports PAM4 DSP-based optics, but also non-DSP-based linear pluggable optics consisting of LRO, LPO, NPO, and CPO solutions. We expect initial Washington and Annapurna revenues in 2027, followed by a stronger volume ramp in 2028. We are also excited about our AI RAC Commander portfolio consisting of USB, PCIe, UART connectivity bridges used for telemetry, power management, and protection solutions for RAC-scale AI infrastructure. RAC Commander expands our role beyond data movement and into the control plane of the AI data center. Customers require advanced telemetry monitoring, connectivity, and power control capabilities to maximize performance and efficiency, which is critical for infrastructure management. We believe this represents a significant long-term growth opportunity while expanding our strategic footprint. Additionally, our XGS PON hyperscale data center design win, which serves as the control plane connectivity network across multiple data centers, has completed qualification. Supported by secured backlog, we expect first deployments of this inter-data center control plane solution to start in 2027. Separately, Panther, our storage accelerator platform, continues to gain momentum as customers seek more efficient AI infrastructure. By significantly increasing effective storage utilization and unlocking KV cache capacity for agentic AI applications, Panther enables customers to support larger AI inference workloads without increasing storage infrastructure spending. We expect Panther revenue to roughly double this year with potential for another meaningful increase in 2027. While AI data center remains our primary growth driver, we expect edge AI driven upgrades to also drive growth in 2027 and 2028 for our wireless infrastructure and broadband access and connectivity solutions. These include Sierra single-chip 5G RAN remote radio unit solution, our millimeter-wave and microwave backhaul RF and modem SOCs, and XGS PON fiber broadband home gateways. Both broadband and connectivity categories delivered sequential revenue growth in Q3, driven by large-scale deployments of fiber PON and Wi-Fi 7 gateways at major Tier 1 service providers in North America and Europe. In closing, accelerating hyperscale deployments, increasing optical connectivity content, new product ramps, and broader participation across the AI infrastructure stack give us confidence that MaxLinear is still in the early stages of a significant growth cycle. Our strategy is focused on strengthening our leadership in high-speed data center connectivity, expanding into adjacent infrastructure markets, and increasing our content share and strategic relevance with hyperscale customers. With strong customer momentum, great backlog visibility, and a differentiated technology portfolio, we believe MaxLinear is well-positioned to deliver sustained growth and long-term shareholder value. With that, let me turn the call over to Steve Litchfield, our Chief Financial Officer and Chief Corporate Strategy Officer. Steve?

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

Thanks, Kishore. Total revenue for the third quarter was $218.1 million up 29% from $168.8 million in the previous quarter and up 72% from $126.5 million in the third quarter of 2025. Infrastructure revenue for the third quarter of 26 grew to approximately $125 million. Broadband revenue grew to approximately $53 million. Connectivity revenue was approximately $25 million. Our industrial multi-market revenue was approximately $15 million. GAAP and non-GAAP gross margin for the third quarter were 58.7% and 60% of revenue. The delta between GAAP and non-GAAP gross margin in the third quarter was primarily driven by $2.5 million of acquisition-related intangible asset amortization. Third quarter GAAP Operating expenses were $97.8 million and non-GAAP operating expenses were $66.5 million. The delta between GAAP and non-GAAP operating expenses were primarily due to stock-based compensation and performance-based equity accruals of $28.8 million combined and acquisition-related costs and other costs of $2.3 million. With the strong growth in our business coupled with continued spending discipline, We have delivered significant improvement in our GAAP and non-GAAP operating margin over the past 12 months. GAAP operating margin for Q3 2026 was 13.9% and non-GAAP operating margin in Q3 was 29.5% of net revenue. GAAP and non-GAAP interest and other expense during the quarter was 2.1 million and 2 million. GAAP diluted EPS for Q3 2026 was 30 cents per share. Non-GAAP diluted EPS was $0.62 per share. In Q3, net cash flow was used in operating activities was approximately $13.6 million. We exited Q3 of 2026 with approximately $109.9 million in cash, cash equivalents, and restricted cash. This included a substantial prepayment for wafer supporting rising demand for our data center products for which we have committed order backlog throughout 2027. Our day sales outstanding in Q3 was approximately 31 days versus 28 days in the previous quarter. Our days of inventory was down in the quarter from 123 days to 111 days. Finally, today we announced that we have amended our existing credit agreement to increase the amounts available under the revolving credit facility by $70 million to $200 million. With this facility, our total available liquidity is much improved, giving us additional flexibility to address further customer demand and other growth opportunities. This concludes the discussion for our Q3 financial results. With that, let's turn to our guidance for Q4 of 2026. We currently expect revenue in the fourth quarter of 2026 to be between $240 and $260 million. Looking at Q4 by end market, we expect strong growth in infrastructure driven by data center optical interconnects. We expect broadband and connectivity end markets to be down seasonally, while industrial multi-market end market is expected to be up. We expect fourth quarter GAAP gross margin to be approximately 58 to 61%, and non-GAAP gross margin to be in the range of 59 and 62% of revenue. We expect Q4 2026 GAAP operating expenses to be in the range of 96 million to 101 million. We expect Q4 2026 non-GAAP operating expenses to be in the range of 65 to 70 million. We expect both our Q4 GAAP and non-GAAP interest and other expense to be in the range of approximately 3.5 to 4.3 million. We expect a 1.3, I'm sorry, 1.5 million tax benefit on a GAAP basis and non-GAAP tax provision of approximately 1.5 million. We expect our Q4 GAAP and non-GAAP diluted share count to be approximately 99.7 million each. In summary, our quarterly performance highlights the continued strength of our optical product portfolio and the accelerating momentum across several growth drivers within our infrastructure business. The progress and innovation we have achieved in this area have been transformative and we believe we remain in the early innings of a multi-year growth cycle marked by expanding revenue and increasing operating leverage. We're excited about the opportunities ahead and remain confident in our ability to deliver sustainable long-term value for shareholders. With that, I'd like to open up the call for questions. Operator?

Shamali | Operator:

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

Torres Vanberg | Analyst, Stifel:

Thank you, Kishore, Steve. Congrats on the strong results. I guess my first question is on the PAMFOR DSP side. You upped the number there for calendar 26. I mean, based on my rough math, I think that's now, it'll be running at about 100 million a quarter run rate. So as we think about 27, is 400 million plus a good number? And how should we think about the mix next year between 800 gig and 1.6T? Thank you.

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

Yeah, hey, Tori, this is Steve. So I don't think we're planning to give guidance in the out year today, but certainly I do believe you've seen us with some very strong growth coming from our optical DSP business. I think we're actually doing a really great job on the market share standpoint. So I think as you look into 2027, you're starting to see the momentum pick up, and I would expect to see us outgrow the market in 2027.

Torres Vanberg | Analyst, Stifel:

Very good. Thank you for that. And then as far as customer diversification, I noticed you didn't have any 10% customers this quarter. I had a question specifically on your optical DSP business. How should we think about the composition there by amount of customers, module makers, geography? you know, any color you could share with us on, you know, how diversified that business is becoming real time. Thank you.

Dr. Kishore Seendripu | Chief Executive Officer:

Thank you, Tory. I think, you know, when you go to the first order of diversification for us, it's really exciting that now we are transitioning from 800 gig fully established as a growth vehicle and market share gains. And we are in strong qual cycles on 1.6 terabit or Rushmore products. Not just only in optical products, but we have a strong call cycle on electrical products as well at the 1.6 terabit speeds. So that's the first layer of diversification. So we expect in the near-term, Rushmore to start picking up revenue in 2027. And if you look to 2028 and 2029, it's going to be a massive growth driver for us, in addition to Keystone at 800 gig still growing for us as well. So that's the first order of diversity. The second part is that our revenues are quite broad based. It's across all the major module makers. And we have a growing set of module makers are also engaged in 1.6 terabit beyond our 800 gig product lines. And the same applies on the data centers as well. Our penetration of You know, geographically in Asia and the U.S. is increasingly now, the momentum on the designing cycles is starting to shift towards 1.6 terabits. I think the U.S. is in a more advanced phase of 1.6 terabit deployments. We naturally expect the U.S. to become an increasingly strong driver or value proposition in the optical module space as well.

Torres Vanberg | Analyst, Stifel:

Great. I'll go back in line. Thank you.

Shamali | Operator:

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

Ananda Abur | Analyst, Loop Capital Markets:

Hey, thanks. Thanks, guys, for taking the question, and congrats on the continued good progress. It's cool to see. I guess, too, if I could, Kishore, just sort of sticking there on the hyperscale of diversification, and maybe this is part of a clarification as well. How much You said in the past 1.6T production ships is really a mid-27 dynamic. How much of the business between now and then in 800G, if any, is from U.S.-based hyperscalers? And it's just even anecdotal. May I have a quick follow-up? Thanks.

Dr. Kishore Seendripu | Chief Executive Officer:

So, Anand, we have never broken down that revenue. In that sort of, we never do that. However, it's pretty broad-based. Suffice it to say, as 1.6 terabit revenues start ramping, the initial revenues actually in early 27 and a stronger ramp in the second half, the U.S. data centers will start becoming very important in both on a static snapshot basis and also from a trajectory basis. So because the U.S. is the one that's going to adopt 1.6 terabit, a much earlier cycle than their Chinese counterparts, right? So I think that what we take extreme satisfaction and join is that 1.6 terabit traction is quite across the board substantially. And the U.S. data centers are just beginning to start ramping 1.6 terabit outside of You know, an NVIDIA and a Google in that order, right? So, and our supply diversity across the various speed nodes, across 800 gig and 1.6 terabit on the supply lines, including the fabrication process, really puts us in a unique position where within our company, we're not competing across product lines for the same technology node. So in a sense, We should be able to win this race in terms of making a major provider in 1.16.

Ananda Abur | Analyst, Loop Capital Markets:

That's good context. I appreciate it. That's helpful. And then the quick follow-up is you mentioned MPO, CPO. So is there a useful way for us to think about your 30s participation in MPO, CPO? You know, if even just kind of from like a paradigm approach, How involved do you expect to be? In what ways do you expect to be involved? The question's been coming up, and it'll be kind of relevant 12 months from now. Thanks.

Dr. Kishore Seendripu | Chief Executive Officer:

Okay. If you look forward, you see a future where all the Alphabet POs will be in coexistence with the PAMFOR 30s-based optical pluggables, right? We have seen that the shoreline density and power consumption scenarios will drive a certain volume of the speed connections into the optical based What I call incarnations, right? Be it an NPO or an LRO, right? So if you look at the LRO, our DSP naturally lends itself into a full-blown participation. And we believe that in the U.S., LRO is a real option at the 200 gig per lane. And I believe it will be a major option in the 400 gig per lane as well. That's my particular view. And then if you look at the CPU has gotten delayed because the challenge of the optics in a hybridized co-package configuration is a very huge, huge problem. And therefore, I think NPO supplants what we were thinking about at CPO. NPO, the advantages of maintenance, modularity, diversity of suppliers for the product as against being locked to the AC players on the switch side or the GPU side. So I think it's a natural place where the ecosystem goes. So I think the NPO will be big. How big? I cannot speak. But I would say on a snapshot basis in 2030, you should expect 60% to 70% pluggable, 20% NPO, and 10% all various forms of it. That's my personal view, not a market view. But I think we'll be a major player in NPO and LROs, which will be the natural place are ideally suited for low-power applications versus an LPO in the future as the speeds increase.

Ananda Abur | Analyst, Loop Capital Markets:

Okay? That's great context. Thank you.

Shamali | Operator:

Thank you. Our next question comes from the line of Cody Acree with Stone X Financial. You may proceed with your question.

Cody Acree | Analyst, StoneX Financial:

Hey, guys. Congrats on the progress. It's been a great performance. Kishore, maybe can you talk about your visibility into 27? If you're not going to talk yet about the scale of your optical ramp, can you maybe just talk about your bookings or your lead time visibility for the next few quarters?

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

Steve, you want to take a shot at it? Sure, yeah, Cody. Look, we have great visibility, as I'm sure you've heard from others in the industry. You know, we're booking products throughout 27 into 2028. You know, lead times for optical product are, you know, 26, 28 weeks, but customers are certainly coming in and placing orders out much further than that, just kind of given they want a secure supply. You've seen a lot of our You know, upsides that we've delivered, I think you'll continue to see more of that growth in 27.

Cody Acree | Analyst, StoneX Financial:

And Steve, maybe just continue with you. Can you just bridge your next gross margin thoughts between mix pricing, manufacturing costs and product transition over the next couple quarters?

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

Yeah, sure. So gross margin, as you know, we've been making some nice progress, kind of moved up from 58. We delivered on 60% this quarter, our guidance at 60.5. So I think we're really seeing some nice progress, kind of despite some of the cost increases that we're seeing across our entire ecosystem here, I guess. Some of that we've been able to pass along to the customer. and I think our cost structure is actually just very good. So as the mix continues toward more infrastructure products, I think you will see our gross margin continue to trend up. Excellent.

Cody Acree | Analyst, StoneX Financial:

Thank you, guys. Congrats.

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

Thanks, Cody.

Shamali | Operator:

Thank you. Our next question comes from the line of Christopher Walden with Susquehanna. Please proceed with your question.

Christopher Walden | Analyst, Susquehanna:

Hey, guys. Thank you for the question. Regarding DSP, last cycle, maybe the 400, 800 cycle, DSP was much more widely available. Transceivers had shorter lead times, and people could wait for land power shell to be built before making what was kind of a last minute order on optical Do you guys view that as different now with longer lead times and does this kind of, you know, perhaps create an effect where people are ordering ahead more significantly, perhaps even over ordering, you know, they can't get their AI data center up without these transceivers. Does this become perhaps the golden screw that people are willing to purchase more of than they might need just for the initial deployment?

Dr. Kishore Seendripu | Chief Executive Officer:

So, Chris, I don't think so at all. Not at all, actually. And you have to keep this in mind that even in the supply chain, nobody's signing real long-term agreements. So you have strict discipline on lead time. There's a lot of manufacturing shortage. So it is really naturally organizing the entire supply chain into very disciplined on you'll only get what you need now sort of behavior. So I don't think there's any double ordering. And then you get back to our DSP world, you know, We are the only pure plate ESP provider on the optical pluggable. Wafer capacities are allocated by companies, by the major foundry. And, you know, if you are in 5 nanometer, for example, you're welcome to choose how you distribute your silicon between switch, pluggables, GPUs, TPUs, and so on and so forth, right? So every company gets to prioritize what is in their best value interest. So I would say That is not the case at all, number one. Number two is that even to place over-ordering, the data center guys are very, very disciplined about creating pure supply chains. That means what I mean by that is the optics, the DSP for a particular qualification or data center is very unique so that they don't cross-corrupt the supply chain. So I think it's golden, it's not a screw, but it's a bolt. So there's a bolt there that is really, really fastening the cantilever bridge quite well here. So that's for those in the San Francisco Bay Area, but yeah, it's looking pretty good.

Christopher Walden | Analyst, Susquehanna:

Excellent. Maybe a follow-up there and a second question. I guess first of all, you know, obviously you guys have some unique four nanometer DSP capacity that others don't. Can you talk about how you see constraints in the optical market playing out? Is it DSP? Is it other parts, lasers, etc.? If you could talk about your place there. And then secondly, DSP in the world of CPO, some believe it's less meaningful, would like your take Kishore as a technologist.

Dr. Kishore Seendripu | Chief Executive Officer:

Okay, Chris, there's a lot of questions out there that you proposed here to me. I will take the first one, which is basically related to supply. I think the optic supply is easy. We are really constrained by foundries on the DSP supply. And the data center build-out is really accelerating. So if you sit here and talk, if the demand, you know, people talked about TAM units for optical pluggables, no matter what flavors. is in the order of 120 million units. Now they talk about 27, 28, maybe 200 million units. So I'm not keeping count anymore, right? So however, the FAP capacity is not coming online. These are huge multi-year efforts. And so there's really, really a fab capacity shortage, I would say. And so the DSP supply is a pretty strong supply constraint. And we are really being, you know, and the opportunity on the CPO stuff Really is a scale-up side, which is a

greenfield opportunity for us. But I do believe the NPO is going to be the more bigger success driver than a CPO. and in an NPU scenario too as well, as you go to higher speed longer term, there'd be a DSP required just like an LRO configuration on the what you call a half DSP because we can all agree now that the LPOs are really, really a very small fraction point technology and they don't have legs for the future, right? So we have product portfolio that spans TIAs. We have drivers and also we've announced products along those various categories. So I feel we're very well positioned whichever way the industry goes and we'll have a full portfolio.

Christopher Walden | Analyst, Susquehanna:

Awesome. Thank you, Kishore.

Dr. Kishore Seendripu | Chief Executive Officer:

Yes.

Shamali | Operator:

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

Sam Feldman | Analyst, BNP Paribas (for Carl Ackerman):

Hi, this is Sam Feldman. I'm for Carl Ackerman. So first, based on your extended visibility into calendar 28, can you provide any color on how we should think about the growth rate, the relative growth rate between 800 gig and 1.6T? And should we expect 400 gig to grow through calendar 27?

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

So I'll take that. I mean, with regard, so this year, our optical growth is almost all 800. You know, in the first half, as we've stated, and Kishore mentioned earlier, 1.6T starts in 27, but it'll have a much bigger growth year in 2028. You know, what is the mix in 28? I mean, I think it's substantially 1.6. Maybe you'll see 800 kind of trailing off, but Potentially, it can sustain as well up until probably 2029. So, I mean, we see significant growth in 27 as well as 28 on both of those.

Sam Feldman | Analyst, BNP Paribas (for Carl Ackerman):

Got it. Thank you.

Shamali | Operator:

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

Quinn Bolton | Analyst, Needham & Company:

Hey guys, congratulations on the results and strong ESP outlook. I guess, Steve, for you, it looks like the prepaid assets on the balance sheet increased by about $50 million in the September quarter. I assume that that's probably the large majority of that are your prepayments that you talked about. Given that it sounds like you're fairly well booked for calendar 2027 now, in the DSP business. Do you feel that the prepayments and the wafers you secured support that 2027 backlog? Do you still have more work to do in the fourth quarter in terms of prepayments and securing wafers to meet the demand you're seeing for calendar 27?

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

Hey, Quinn. Yeah, so, I mean, we talked about this a little bit before. Similar to others, I mean, the prepayments, mostly on the wafer side, I mean, there's Lots of other things going on out there. I mean, on the balance sheet isn't just TSMC. There's other things on prepayments as well that we don't break out. As far as, I mean, I talked earlier about visibility in 27. Yeah, I mean, backlog, as you would imagine, is very, very good in 27 and into 2028. Prepaid, I mean, look, I expect prepaids to continue to go up from here. as our revenue projections continue to go up as well. So I think that's part of the reason why we increased the revolver itself, just to make sure that we can capture all of that upside capacity that's coming from increased market share that we've gained.

Quinn Bolton | Analyst, Needham & Company:

Yeah, I think that's a follow-up. Steve, I think at some of the investor conferences over the past few months, you've estimated your DSP share currently maybe in the 5% to 7% range. Do you think you're at the high end of that or potentially above that by the end of 2026, just based on the strong backlog you're seeing and the increase in the DSP forecast this year?

Dr. Kishore Seendripu | Chief Executive Officer:

You know, hey, Kwe, this is Kishore. I think it's very hard to estimate share. Yeah, thank you. I think it's very hard to estimate share given the accelerating demand on units as well. So if I'm looking backward, then I think we are well above the number. If I'm looking forward, maybe we made more progress beyond that share percent, but I don't know at what level we are. So Can I say what we will look like two years from now? Sure. It should be in the teens for sure, right? And, you know, so I think that's a very backward-looking number on a share percentage basis. On a backward-looking TAM basis, it should be larger. But on a forward-looking basis, it's very hard to estimate because the numbers are moving all around. But suffice to say, we are gaining share every day. I think in a 12 to 24 minute window, we could be neck and neck with one of our two competitors. That's the hope, that's the goal, and that's the momentum.

Quinn Bolton | Analyst, Needham & Company:

Excellent. Thank you, Kishore.

Shamali | Operator:

Thank you. Our next question comes from the line of Tim Savageau with Northland Capital Markets. Please, you may proceed with your question.

Tim Savageau | Analyst, Northland Capital Markets:

Hey, good afternoon. I'll add my congrats on the results and the outlook. And I wanted to go back to, you're welcome, to kind of market growth, market share type discussion. And Steven made a comment earlier in the call about outgrowing the market. And, you know, I think we may have a baseline there. You know, Marvell talked about kind of the AI interconnect unit for them growing, call it 65%. on a CAGR through 2030. It's coincidentally what MaxLinear is growing overall in 26. But as we look at the optical DSP business, is it fair to use something like that as a baseline? And when you say you want to outgrow the market, I mean, just based on your run rate, it seems like we should be thinking closer to a double here than anything else for 27. But I just kind of wanted to bounce that reasoning off you.

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

No, Tim, I feel very confident we're outgrowing the market, which I think is supportive of what you're asking, yes. And we can't speak for Marvell's numbers.

Tim Savageau | Analyst, Northland Capital Markets:

Okay, well, I'll go on and ask this one anyway, then, which is, yeah, I think your market share is like 6% here. If you take those forecasts out to their conclusion, I mean, they're talking about, I don't know, A $15 billion optical DXC market in 2030. I mean, if you get into double digits before that, you should have a billion dollar business on your hand pretty quickly. I'm going to bounce that one off of you, and that'll be it for me.

Dr. Kishore Seendripu | Chief Executive Officer:

Tim, we can't comment on that, right?

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

Yeah, but the numbers you're talking about, I mean, look, there's a lot of growth here. I mean, Kishore commented earlier about the transceiver growth. I mean, people are talking 200 million units next year. I mean, So these numbers make a lot of sense. As Kishore stated, being up in the teams over the next couple of years, very achievable. I think we are doing a great job. I think you've seen that from us in 2026, but I would say it's just getting going. You're going to continue to see through that in 27, 28. Thanks very much.

Shamali | Operator:

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

Quinn Bolton | Analyst, Needham & Company:

Hi guys, this is Travis Poulin on for Joe. Thanks for taking my question. So Steve, I just wanted to switch gears to broadband. You spoke of seeing some seasonal softness in 4Q 2026. Just curious how we should think about this moving forward into the first half of 2027, into the second half of 2027, and just the overall broadband recovery in general. Thanks.

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

Yeah, thanks, Travis. Yeah, I mean, we actually feel pretty good. I mean, we do see some seasonality in Q4, certainly, but as far as 27 goes, I mean, you know, just as we had talked about previously with the telco spending, but then also our market share gains on the pond side, we do expect to see growth in 2027. So, feel very good about that.

Quinn Bolton | Analyst, Needham & Company:

Got it. Thank you.

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

That's it for me.

Shamali | Operator:

Thank you. Our next question in queue is from the line of Torres Vanberg with Stifel. Please proceed with your question.

Torres Vanberg | Analyst, Stifel:

Yeah, thank you. Now that the basic questions are out of the way, I just had a few more specific follow-ups. So, Kishore, I think you said you expect 1.6T revenue already first half of next year. I think I think in the last quarter, I think you talked about maybe middle of the year. So what changed there? Is it the market that's accelerating earlier? Is it based on some new design wins? Any clarification there? And by the way, does that include DSP and TIA? Or is it just DSP?

Dr. Kishore Seendripu | Chief Executive Officer:

So, Tori, obviously, it's been three months and we did not know where we would be. But I think there's an initial design win that will start shipping in the first half. The exact amount of quantities is not clear, but it's meaningful in the sense that it sets up the second half very nicely. And also, second part also is correct what you asked. They are accelerating design qual momentum going on. And somewhat we are bottlenecked by our own ability to support multiple quals simultaneously, and we're all going through resource bottlenecks from that angle. So that is also about also accelerating on the qual windows across the module space into the data center cycles. So I think that's what gives me a little more. And then we also have commitments both for DSP and TIA in these design wins. So it's not just our DSP alone. Obviously, we live in a world where we want to attach our own TAA to our own DSP for selfish reasons beyond just a great performance advantage and cost saving for our own customers in terms of power efficiency and the total BOM efficiency, right? So I think all the three questions you answered are a strong, affirmative response.

Torres Vanberg | Analyst, Stifel:

Very good. And last one is on pricing or content. So we're hearing as you go from 800 gig to 1.6T that maybe prices could be 2X. You're obviously going to be shipping more than the DSP with the TIA. So in your case, I guess you could potentially have more than 2X as the market goes from 800 gig to 1.6.

Dr. Kishore Seendripu | Chief Executive Officer:

You're absolutely right. So if you just take this proverbial 2x, historically never stuck when you change speeds, right? But this time it's sticking, right? So the ASP on the DSP is more or less doubling, and then we have TIA that we did not add before. So all in all, we'll be growing more than a 2x on the ASP number. And the TIA is not just a TIA, right? It's got smarts that really has what I call trajectory guide to our NPO strategy and our CPO strategy and our LPO strategy and LRO strategy. So it's an all-in-one deal in the MaxLinear TIA world.

Torres Vanberg | Analyst, Stifel:

Great, caller. Thank you.

Dr. Kishore Seendripu | Chief Executive Officer:

Yep.

Shamali | Operator:

Thank you. And our last question comes from the line of Cody Agri with StoneX Financial. Please proceed with your question.

Cody Acree | Analyst, StoneX Financial:

Hey guys, just a couple follow-ups as well. Maybe Kishore, can we go back to that comment you made about constrained ability to support more than one qual? Is this just wafers out of Samsung that you're talking about? And what's the ability to address that so that you can get quals lined up a little faster?

Dr. Kishore Seendripu | Chief Executive Officer:

Oh, so, you know, the quals has got nothing to do with wafer supply, right? It's all the, you know, you have to line up, let's say you have 10 module makers and that's not unrealistic. And then all of the 10 want to go simultaneously, get their modules ready to go to the data center qual. We'll have to pick and choose, right? Because at the end point, multiple module makers are targeting the same data centers as well. So that constrains us in terms of how we prioritize our own internal resources to get QUAL ready. So that was a contest I talked about, right? These are pretty complicated, even though people simplify it and call it a pluggable. It sounds so trivial, but these are one of the most complex technologies that Chip people have ever developed over the last 20 to 30 years. And you ought to think about this not just in terms of pluggable alone. You also ought to think about interoperability with the switch, the other two vendors of silicon, and pre-existing 800 gig silicon as well. So not just 1.6 terabits. So it's pretty complicated. So we're constrained in How many we can activate at the same time? So you, of course, sequence and prioritize them. That's the constraint I was referring to.

Cody Acree | Analyst, StoneX Financial:

Gotcha. Thank you for that clarification. And then just lastly, with Washington, can you talk about your expected attach rates to Rushmore and the opportunity for standalone as you get into 27 and maybe looking into 28? And then maybe the same thing with your AECs. Can you talk about a mix of onboard versus cables? for Annapurna.

Dr. Kishore Seendripu | Chief Executive Officer:

Okay, good question. I would say, you know, if you take the short-term window versus, let's say, a year-round window, the TIA attach rate answers will be quite different, right? In the short-term, let's say it's an 80% attach rate, and in a year and a half from now, I know it's around the corner, it'll be 100%, and we hope it to be more than 100%, right? It's a TIA that works with other DSPs as well, and there's only One of the real TIA vendor that meets the performance benchmarks that you need for a 1.6 terabit type of product with the power envelope that you need to meet. That is the truth, despite what anybody can tell. So we hope to be the other guy outside of the one guy. And we have validation to show that. So we expect the attach rate to be 100% at least and more in a year and a half from now. That's the number one answer. The The next question you had was related to, could you repeat that for me, please? I just forgot.

Cody Acree | Analyst, StoneX Financial:

Annapurna.

Dr. Kishore Seendripu | Chief Executive Officer:

It's an active electrical cable, right? There's one large leader, which everybody knows is Credo. They're 93% or maybe 99% of the entire AEC cable market. But I think the market is diversifying now because the problem is getting a lot more complicated. and they're going to be multiple AEC vendors and our solution will be a pure silicon plate to selling it to a cable maker or somebody who makes the what I call the paddle cart for the AEC. So our revenues for the AEC will not be as large as selling a whole cable but it will correspond to what an AEC market would dictate in terms of silicon price inside it. So So I would think that it'd be a similar pricing as our time for DSP for optical. And we expect not to get a big share, let's assume, but we are planning around one or two big data centers and then a share of those guys through intermediaries. And so I think we should be able to get to 20 to 30% in the 1.6 terabit cycle somewhere in the next couple of years. But we won't expand it to, Multiple data centers, right? We only have one or two data centers in the U.S.

Cody Acree | Analyst, StoneX Financial:

Excellent. Thanks for the help, guys.

Dr. Kishore Seendripu | Chief Executive Officer:

Thank you.

Shamali | Operator:

Thank you. And we have reached the end of the question and answer session, and therefore I would like to turn the call back over to Leslie Green for closing remarks.

Leslie Green | Head of Investor Relations:

Thank you, Shamali, and thank you all for joining. This quarter we will be presenting at a number of financial conferences and virtual events. Details will be posted on our investor relations page. Thank you all for joining today, and we look forward to speaking with you again soon.

Shamali | Operator:

Thank you. This concludes today's conference, and you may disconnect your lines at this time. We thank you for your participation.