NASDAQ:PENG Q1 2026 Earnings Call Transcript

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Operator | Conference Operator:

Ladies and gentlemen, thank you for joining us, and welcome to the Penguin Solutions first quarter fiscal year 2026 financial results call. After today's prepared remarks, we will host a question and answer session. If you would like to ask a question, please press star 1 on your telephone keypad to raise your hand. To withdraw your question, please press star 1 again. I will now hand the conference over to Suzanne Schmidt with Investor Relations. Please go ahead.

Suzanne Schmidt | Investor Relations:

Thank you, operator. Good afternoon and thank you for joining us on today's earnings conference call and webcast to discuss Penguin Solutions first quarter fiscal 2026 results. On the call today are Mark Adams, Chief Executive Officer, and Nate Olmstead, Chief Financial Officer. You can find the accompanying slide presentation and press release for this call on the investor relations section of our website. We encourage you to go to the site throughout the quarter for the most current information on the company. I would also like to remind everyone to read the note on the use of forward-looking statements that is included in the press release and the earnings call presentation. Please note that during this conference call, the company will make projections and forward-looking statements including but not limited to statements about the company's growth trajectory and financial outlook, business plans and strategy, market demand and shifts, strategic agreements, and existing and potential collaborations. Forward-looking statements are based on current beliefs and assumptions, are not guarantees of future performance, and are subject to risks and uncertainties, including, without limitation, the risks and uncertainties reflected in the press release and the earnings call presentation filed today as well as in the company's most recent annual and quarterly reports. The forward-looking statements are representative only as of the date they are made and except as required by applicable law, we assume no responsibility to publicly update or revise any forward-looking statements. We will also discuss both GAAP and non-GAAP financial measures. Non-GAAP measures should not be considered in isolation from, as a substitute for or superior to our GAAP results. We encourage you to consider all measures when analyzing our performance. A reconciliation of the GAAP to non-GAAP measures is included in today's press release and accompanying slide presentation. And with that, let me now turn the call over to Mark Adams, CEO. Mark?

Mark Adams | Chief Executive Officer:

Thank you, Suzanne. We hope you all have a nice holiday season and appreciate your attending our first quarter fiscal 2026 earnings call. We are happy with our Q1 results. On our last call, we mentioned some headwinds we anticipated in the first half of our fiscal year. Despite these challenges, revenue came in at 343 million in Q1, up 2% sequentially and 1% year over year. We view this as significant, as we were able to perform well in the first quarter, despite not recognizing any hyperscale hardware revenue, which had been a meaningful contributor in the prior year period. Non-GAAP gross margins were 30%, which compares favorably to the midpoint of our full year outlook, reflecting favorable mix and execution in the quarter. As a reminder, our full-year outlook incorporates expected variability across the year. Non-GAAP operating income was 42 million, up 1% year-over-year, which led to non-GAAP diluting earnings per share of 49 cents. We continue to see indications of a broader market shift from hyperscaler deployments and early corporate pilot programs. toward wider enterprise adoption and more production scale implementations. Within this broader transition, there are early signs that some workloads are evolving from training-centric environments toward inference-oriented use cases as organizations operationalize AI across the enterprise. As AI systems move into full production, Enterprises are increasingly focused on performance, reliability, bandwidth, and overall system efficiency, areas where Penguin's ability to design tailored systems can help customers address their specific workload requirements. We believe enterprises are looking for partners who can deliver complete production-ready platforms spanning infrastructure, software orchestration, and advanced AI tooling. supported with deep technical expertise. Penguin Solutions brings over 25 years of experience in this arena, starting in high-performance computing, or HPC, and expanding in the last five years to include large-scale AI factory build-outs. This expertise enables us to design, build, deploy, and manage complex infrastructure solutions that align with the needs of our enterprise customers. During the transformation of our company into a leading provider of infrastructure solutions, we have communicated the challenges we faced from having a lumpy revenue model with customer concentration. Our fiscal year 2026 guidance was developed with our ongoing focus on new business development and customer diversification in mind, while recognizing that the timing of new customer deployments can vary. We are encouraged by the customer diversification progress we are making and will share additional detail later in the call. Let me now speak to the performance of each of our lines of business. Our advanced computing business achieved revenue of 151 million, up 9% compared to last quarter. We had several customer bookings in Q1, including two new paying customers, one in the defense sector and another in the education and research sector. In addition, we continue to see our pipeline expand into new customer opportunities in the financial services, oil and gas, telecommunications, manufacturing, and education sectors. We're also currently engaged in a number of discussions with sovereign cloud customers outside the US regarding potential large-scale AI deployments. This increase in sovereign AI opportunities internationally reinforces the need for Pangolin's rapid deployment solutions and services, which enable faster time to production and thus enable a quicker return on AI capital investments. As customers evaluate the transition from proof of concept initiatives to larger production deployments, we believe the complexity of these environments underscores the need for a trusted partner with deep technical expertise across multiple technology domains, combined with proven experiences integrating an array of technology building blocks to deliver high-performing and highly reliable AI infrastructure. In support of this need, we have recently launched the Penguin Solutions Rabbit Development Workshop Program, which brings together our architecture leaders, software developers, managed service team members, and supply chain experts to help potential customers better understand and plan for the complexity of implementing AI at scale. Tangwin's design, build, deploy, and manage framework is a proven methodology for high-performing, high-reliability AI factory deployments. Tangwin's decades of experience in complex, large data center installations is at the heart of what differentiates us from many of our hardware-centric competitors. The combination of our architectural design know-how, our ice clusterware software platform, and our managed services offerings reinforces Penguin Solutions' role as a value partner in helping our customers manage the complexity of AI. Our integrated memory business recorded 137 million of revenue in Q1, up 3% compared to the prior quarter, and up 41% compared to Q1 2025. As we head into our second quarter, demand signals for our memory portfolio are strong across our networking, telecommunications, and computing customers. One of the key performance challenges in implementing AI across both training and inference workloads is the limitation of GPU and CPU memory bandwidth. We have been an early developer of Compute Express Link or CXL solutions. We provide an open standard interconnect for high-speed, high-capacity GPU and CPU to device and GPU and CPU to memory connections designed for high-performance data center systems, including those built for AI computing. We are currently shipping early production units through our OEM partners while continuing to expand end-user qualification efforts. Looking ahead, future versions of CXL are expected to emphasize memory pooling, enabling blocks of memory to be dynamically allocated to specific system resources. In parallel, we continue to invest in the design of our optical memory appliance, or OMA, in collaboration with key technology partners, leveraging a photonic transport layer to further increase the performance of GPU, CPU, and memory interconnects. We are seeing increasing memory demand as customers are looking for unique custom solutions to address their needs in supporting AI workloads. Beyond the core customer migration to DDR5 technology, our customers are evaluating how to best utilize memory to optimize the performance of their AI compute needs. In addition to our legacy OEM customers, we are seeing sales growth in direct to enterprise customer engagements and in large hyperscale customers. We believe that our over 30 years of developing specialty memory products, originally under the Smart Modular brand for large Fortune 500 customers, has positioned us well to capitalize on a new wave of higher performing and higher reliability memory for the AI era. We believe we are well positioned for future growth, leveraging our early investments in new technology to expand our addressable market. The optimized LED business operating under the Cree LED brand generated revenue of $55 million in the first quarter, down 18% sequentially. We are seeing weak demand in our China business, along with pockets of softness among certain large US OEM customers. We remain focused on driving profitability in our LED business by leveraging our specialty product portfolio, industry-leading intellectual property, and Capital Light outsource front end operating model. Despite the top line revenue headwind, operating income was 3.5 million, representing an increase of 24% sequentially. As part of our transition from a holding company to an AI solutions provider, we continue to streamline our corporate structure. To that end, in late December, we signed an agreement to sell our remaining 19% stake in Zillia Technologies, formerly Smart Modular Brazil, for $46 million. We expect this transaction to close in our third quarter of fiscal 2026. As we look forward, we remain focused on strengthening our partnerships with ecosystem partners such as NVIDIA, AMD, and CDW. As the volume of corporate deployments accelerates, Tenra solutions can provide our white glove design and implementation services to support our customer success. We are also customizing our ICE clusterware platform to be compatible with other open source energy software products, enabling a more robust infrastructure solution for managing large AI deployments at scale. We believe that the combination of our investments in technologies such as Inference systems level products, memory advancements, and our ICE software, together with our trusted design and managed services capabilities, positions Pangolin Solutions as an ideal partner to help customers manage the complexity associated with implementing AI infrastructure. With a strong balance sheet, a growing customer base, continued investments in differentiated solutions, and an experienced team that helps customers design, build, deploy, and manage AI environments at scale, we remain confident in our position for long-term future success. Let me stop now and hand the call to Nate for a more detailed review of our financial performance. Nate?

Nate Olmstead | Chief Financial Officer:

Thanks, Mark. I will focus my remarks on our non-GAAP results, which are reconciled to GAAP in our earnings release tables and in the investor relations materials available on our website. Now let me turn to our first quarter results. In the quarter, total Penguin Solutions net sales were $343 million, up 1% year over year. Non-GAAP gross margin came in at 30%, which was down 0.8 percentage points versus Q1 last year. Non-GAAP operating margin was 12.1%, up 0.1 percentage points versus last year, and non-GAAP diluted earnings per share were 49 cents, flat year over year. In the first quarter of fiscal 2026, our overall services net sales totaled $65 million, down 9% versus the prior year. Product net sales were $279 million in the quarter, up 3% versus the prior year. Net sales by business segment were as follows. In advanced computing, Q1 net sales were $151 million, which was 44% of total company net sales and down 15% year over year. This sales decline reflects both the wind down of our Penguin Edge business and hyperscale hardware sales in Q1 last year, which did not recur in Q1 this year. Q1 2026 advanced computing net sales excluding Penguin Edge and hyperscale hardware net sales grew 52% year over year. In integrated memory, Q1 net sales were $137 million, which was 40% of total company net sales and up 41% year-over-year. And in optimized LED, Q1 net sales were $55 million, which was 16% of total company net sales and down 18% year-over-year. Non-GAAP gross margin for Penguin Solutions in the first quarter was 30%, down 0.8 percentage points year-over-year and 0.9 percentage points sequentially, primarily due to the wind down of our high margin Penguin Edge business as we described last quarter. Non-GAAP operating expenses for the first quarter were $61 million, down 4% year-over-year and down 6% sequentially. Operating expenses as a percentage of net sales were down both year-over-year and quarter-over-quarter, driven by lower personnel-related expenses as well as lower subcontract services costs following the completion of our U.S. domestication in the fourth quarter of fiscal 2025. Q1 non-GAAP operating income was $42 million, up 1% year over year and up 6% versus last quarter. The combination of net sales growth and operating expense management translated into a 0.1 percentage point increase in non-GAAP operating margin versus Q1 last year. This is our sixth consecutive quarter of non-GAAP operating margin expansion year over year. Non-GAAP diluted earnings per share for the first quarter were 49 cents, flat versus Q1 last year, and up 14% versus the prior quarter. Adjusted EBITDA for the first quarter was $45 million, up 1% year over year. Turning to balance sheet highlights, for working capital, our net accounts receivable totaled $342 million compared to $276 million a year ago, with the increase driven by higher sales volumes and variations in sales linearity across the quarters. Day sales outstanding came in at 51 days, up from 45 days in the prior year quarter and flat with last quarter. Inventory totaled $213 million at the end of the first quarter, down from $247 million a year ago, due to order and shipment linearity. Days of inventory was 38 days, down from 49 days a year ago and down from 51 days last quarter, primarily due to the timing of receipts and shipments. Accounts payable were $305 million at the end of the quarter, up from $244 million a year ago, due primarily to higher sales volumes and the timing of purchases and payments. Days payable outstanding was 55 days compared to 49 days last year and 54 days last quarter. The year-over-year and quarter-over-quarter movements were due to the timing of purchases and payments. Our cash conversion cycle was 35 days, a decrease of 11 days compared to Q1 last year, and down 14 days versus last quarter due to faster inventory turns resulting from materials shipped during the quarter and the timing of purchases and payments. Consistent with past practice, day sales outstanding, days payables outstanding, and inventory days are calculated on a gross sales and gross cost of goods sold basis, which were $605 million and $509 million, respectively, in the first quarter. As a reminder, the difference between gross and net sales is primarily related to our memory businesses' logistics services, which are accounted for on an agent basis, meaning that we only recognize the net profit on logistics services as net sales. Cash, cash equivalents, and short-term investments totaled $461 million at the end of the first quarter, up $68 million from Q1 last year, and up $8 million sequentially. The year-over-year fluctuation was primarily due to free cash flow generated by the business over the past year. First quarter cash flows provided by operating activities increased by 125% to $31 million, compared to $14 million provided by operating activities in Q1 of last year. The increased cash flow in the quarter versus last year was due primarily to lower investments in networking capital. We spent $15 million to repurchase approximately 791,000 shares in the first quarter under our stock repurchase program. As of November 28, 2025, an aggregate of $96.5 million remained available for the repurchase of our common stock under the current authorizations. For those of you tracking capital expenditures and depreciation, capital expenditures were $3 million in the quarter and depreciation was $5 million for the quarter. And now turning to our outlook. Given our solid Q1 performance, we are pleased to confirm our full company net sales and non-GAAP diluted EPS outlook for the year, which at the midpoint calls for 6% net sales growth and $2 of non-GAAP diluted EPS. Consistent with the outlook we provided last quarter, our full year outlook assumes that we will continue to diversify our customer sales mix and does not include any advanced computing hardware sales to hyperscale customers. and also consistent with our assumptions from last quarter, our FY26 financial outlook reflects the wind down of our high margin Penguin Edge business. We expect sales from this business to essentially cease by the end of fiscal 2026. The combined effect of these two assumptions in our FY26 outlook remains approximately a 14 percentage point unfavorable year over year impact to our total company net sales growth and approximately a 30 percentage point unfavorable impact to advanced computing. Regarding sales linearity during the year and consistent with our commentary last quarter, we continue to expect second half sales to be stronger than first half sales. At the midpoint of our full year net sales outlook, We expect approximately 53 to 54% of total company net sales to come in the second half of the year as AI opportunities currently in our pipeline are assumed to book and ship in the second half. With that said, our full year net sales outlook reflects the following full year growth ranges by segment. For advanced computing, we continue to expect full year net sales to change between minus 15 and plus 15% year over year. As it has previously, this outlook reflects the Penguin Edge and hyperscale hardware sales impacts mentioned earlier. For memory, we now expect net sales to grow between 20 and 35% year-over-year. And for LED, we now expect net sales to decline between minus 15 and minus 5% year-over-year. Our non-GAAP gross margin outlook for the full year is now 29% plus or minus one percentage point. We adjusted our gross margin outlook down by 50 basis points to account for a higher mix of memory sales, which have a lower gross margin than our company average. For non-GAAP operating expenses, we now expect a full year total of $250 million plus or minus $10 million. For non-GAAP full year diluted earnings per share, we still expect approximately $2 plus or minus 25 cents. Our FY26 non-GAAP diluted share count is still expected to be approximately 55 million shares, and our FY26 non-GAAP tax rate is still forecasted to be 22%. While we expect to use this normalized non-GAAP tax rate throughout FY26 and beyond, the long-term non-GAAP tax rate may be subject to changes for a variety of reasons, including the rapidly evolving global and U.S. tax environment, significant changes in our geographic earnings mix, or changes to our strategy or business operations. Our outlook for fiscal year 2026 is based on the current environment, which contemplates, among other things, the global macroeconomic environment and ongoing supply chain constraints, especially as they relate to our advanced computing and integrated memory businesses. This includes extended lead times for certain components that are incorporated into our overall solutions impacting how quickly we can ramp existing and new customer projects and fulfill customer orders. Overall, we believe our focused execution, disciplined expense management, and balance sheet strength provide a strong foundation for sustained profitable growth. We expect these qualities to support our continued progress as we pursue opportunities to enhance long-term shareholder value. Please refer to the non-GAAP financial information section and the reconciliation of GAAP to non-GAAP measures tables in our earnings release and the investor materials on our website for further details. With that, operator, we are ready for Q&A.

Operator | Conference Operator:

Thank you. We will now begin the question and answer session. If you would like to ask a question, please press star one on your telephone keypad. To withdraw your question, press star one again. Please stand by while we compile the Q&A roster. Your first question comes from the line of Brian Chin with Stifel. Brian, your line is open. Please go ahead.

Brian Chin | Analyst, Stifel:

a few questions. Maybe just first with the maintaining the outlook, although changing the components a little bit. Firstly, fiscal first half versus fiscal second half guidance. Does that suggest that this February quarter, revenues down, maybe low, low to mid-single digits, and kind of which of these segments is driving that sequential decline? And then also for the full year, raising the memory revenue growth to 20% to 35% year over year. Certainly pricing should be a favorable tailwind. Curious if there are any kind of challenges or constraints shipping product, given sort of how constrained some of the memory weight for supply is at the moment.

Mark Adams | Chief Executive Officer:

Hey, Brian, thanks for the question. I'll take the first end of it, and then I'll hand it over to Nate. There's two questions. implications to to the kind of forward-looking assumptions to speak to the memory one we continue to do a fairly good job navigating the supply constraints you're alluding to and you know that allowed us to think through kind of how that business should perform going forward and so we haven't seen anything material impacting that business, which allowed us to kind of get more granularity on the forward-looking projection, so to speak. On the advanced computing piece, and we'll talk about some of this through the call, but when we're winning these new customers, there's a process of kind of getting the award and then Since they're new customers, in many cases, we have to negotiate a master agreement. And then from there, you know, that gets converted into a purchase order. There's just more timing involved in new customers. Now, the exciting news is we are winning more new customers. But the predictability gets a little bit tougher for us in a given quarter, so to speak. And that's where I guess we're a little bit more cautious. I would say just, you know, we talked about an award with a major financial institution last quarter. I'm happy to announce that we've signed that agreement and we expect a PO here shortly this week or worst case next. You know, I can also tell you that we have the same, we have a major new oil and gas customer that we've also signed a master agreement with and expecting a PO in here shortly, as in the next week or so. And so as we go through that, the timing of then getting the POs in the system and then going out and sourcing components and staging the equipment, all of that becomes just tougher for a first-time customer in the model. And that's where you may sense a little bit of caution as we think about our

Nate Olmstead | Chief Financial Officer:

know q2 and even you know back half uh guidance to when things will hit nate yeah i mean i would say um when you think about the full year outlook obviously the most significant changes would be memory looking a little bit stronger as you alluded to due to some benefits from pricing primarily although the overall demand remains very strong and healthy there but um Our ability to procure supply is going to be one of the key variables to think about the memory outlook for the full year. And then LED looks like it's going to be weaker. That was fairly broad-based across the regions in Q1. Q2 is always a little bit softer in LED because of Chinese New Year, so I'd expect some sequential pressure probably in the LED business. I also expect sequentially advanced computing to be down Q1 to Q2, but that's what we expected when we laid things out last quarter. I think Q1 came in right about where we thought. Q2 looks similar to what we thought. And in the back half of the year, we expect some strength due to the, you know, some of the opportunities we've seen in the pipeline and bookings that are starting to shape up.

Brian Chin | Analyst, Stifel:

Great. Maybe just for a quick follow-up, in terms of the pipeline and advanced computing, can you maybe elaborate on how some of your expansive channel partnerships, you know, Dell, CDW, you've got sort of the strategic partners relationship with SKT. I think you alluded to maybe future cloud opportunities on a sovereign basis, and maybe that's contributing to the potentials for a fiscal second half. Can you kind of expand on how some of those partnerships are helping with the pipeline?

Mark Adams | Chief Executive Officer:

Yeah, I think across the board, most of what you talked about have been fairly exciting for us to engage with and representing as much stronger pipeline for us. You know, I'll try to break it down in terms of CDW had mentioned our capabilities in, you know, kind of the AI factory environment and large scale deployments. is a great addition to CDW's capabilities and competencies. And we've got some good customer opportunities just in our managed services and software solution set that we can bring to customers that are of large scale. And they're definitely represented in our pipeline. If you contemplate, you know, our relationship with NVIDIA, It continues to get stronger and stronger as the enterprise deployments scale and grow in number. You know, being a services solutions provider for NVIDIA-based AI factories, Penguins are very well positioned there, and we continue to strengthen that partnership and evaluating how we can bring the best of what we do with NVIDIA to form a strategic solution offering for our customers long term. And so the engagements with NVIDIA continue to strengthen. SKT is an exciting partnership we've talked about on prior calls. There continues to be opportunities with them both in Korea and outside of Korea. And then we've mentioned in my prepared remarks, we've had a couple of few new sovereign cloud opportunities of large scale that are in the pipeline. And, you know, very exciting just because given the raw investment that is going to go into each of these deployments, we stand to benefit from our involvement. and hopefully we'll be able to update you on future calls here.

Operator | Conference Operator:

Your next question comes from the line of Samik Chatterjee with JP Morgan. Please go ahead.

MP | Analyst, J.P. Morgan:

Hi, thank you for taking my question. This is MP on behalf of Samik Chatterjee. So firstly, I wanted to ask about the enterprise engagements like you have been talking about the shift from hyperscalers towards then enterprises deploying for pilot programs and then towards broader enterprise-wide applications. Can you please help us understand, like, what exactly are you seeing, which is helping you, say, clearly mark that trend out? And then other than that, I wanted you to double-click a bit on your diversification efforts. Sure.

Mark Adams | Chief Executive Officer:

Let me start with your first question. If I look back over the last – you know, three or four years, most of the capital expenditure dollars of massive, you know, of large scale deployments was in the area of large language model training at large hyperscales for the most part. Okay, I don't want to be universal and saying 100%, but a majority of the spend that we saw was in a very consolidated set of customers. And if you If you want to triangulate that data with what's going on in the market, look at where NVIDIA was selling their GPUs as an example. You'll see that their major customers were consolidated to a few large hyperscale type environments. We saw the same thing. I'd say over the last six to 12 months, we've seen the beginning of an evolution where enterprise opportunities are accelerating in terms of just raw volume of enterprise opportunities. And I would say the capital behind that and the planning for future growth expansion in our customer relationships in the enterprise back that up. And so it's really been an evolution, a shift from early stage large language model training to corporate enterprise rollout. And just based on our own pipeline activity, but also just raw market data in terms of where the products are going. We're fairly bullish on the enterprise environment as well we are on these larger sovereign AI deals. The combination of that, you know, makes us feel pretty strong on our pipeline development and diversification efforts.

Operator | Conference Operator:

Your next question comes from the line of Matthew Colitri with Needham and Company, LLC. Please go ahead.

Matthew Colitri | Analyst, Needham & Company, LLC:

Great. Hey, guys. This is Matt Colitri over at Needham. Thanks for taking our question. Last quarter, you noted an inventory increase to support shipments at the start of 1QFY26. And while inventory declined sequentially, it still remains elevated. How should we think about inventory levels as a leading indicator for future shipments? And how is your visibility into the remainder of the year?

Nate Olmstead | Chief Financial Officer:

Yeah, you're right. Last quarter we exited the quarter with some inventory that was both in memory where the price increases. You know, when the prices go up, you're going to see that reflected in inventory. The cost of the goods goes up. And we also had some shipments in advanced computing, which shipped early this past quarter in Q1. So, I think, you know, inventory being higher than where it was a year ago is not surprising given that the overall business is larger, especially in memory. It was up 41% year over year. But if you look at the inventory days or the inventory turns, they're in a very healthy position. So, certainly no concerns there, returning inventory quickly. Our business model is not one where we're buying really ahead of orders. We're buying to orders rather than to forecast generally. Now, in today's constrained memory environment, you know, we'll look for opportunities where we can secure some supply that takes some risk off the table, and we have a strong balance sheet that, you know, we intend to put to use if the opportunity is out there for us to do that. Got it. Very helpful. Thank you. Back half of the year, I think Mark talked, you know, already about some of the opportunities in the pipeline. It remains consistent with what we mentioned last quarter. We expect the second half of the year to be stronger than the first half. That will be especially true in advanced computing, perhaps in memory as well, again, contingent upon us being able to secure supply. But that's consistent with what we said last quarter.

Matthew Colitri | Analyst, Needham & Company, LLC:

Okay, great. Thank you. And then can you expand a little bit upon I think, in the prepared remarks, you, you mentioned some work being done to customize ice to be compatible with other open source platforms? What exactly are you guys working on there?

Mark Adams | Chief Executive Officer:

As we think about the software stack for AI factory rollouts, there's different layers of software Like, for example, there's cluster management layers, there's security layers, there's orchestration layers. And so what we're trying to do is build a standalone stack, which is, you know, partly our IT platform and then partly best of breed of open software stacking components that allow us to have a unique solution and that we can manage all of it as opposed to our customer's having to go out and pick pieces to it. And we're working with customers to define what that might look like in a Penguin stack that's partially our own developed ICE platform and partially best-in-class third-party software that gives the customer the best software features. By the way, that includes working with companies like NVIDIA to have their software as part of a customized platform for future development deployments.

Matthew Colitri | Analyst, Needham & Company, LLC:

Excellent, very helpful, thank you.

Operator | Conference Operator:

A reminder, if you would like to ask a question, please press star one on your telephone keypad. To withdraw your question, press star one again. Your next question comes from the line of Maddie DePaola with Rosenblatt Securities. Your line is open, please go ahead.

Maddie DePaola | Analyst, Rosenblatt Securities:

Hi, this is Maddie calling on behalf of Kevin Cassidy. I was just wondering, given the recent Marvell acquisition of Celestial AI and just broader shift toward optical fabrics, are you seeing any change in optical memory and related technologies?

Mark Adams | Chief Executive Officer:

I wouldn't say we're seeing any changes. I think it's a strong validation of the market opportunity, you know, broad macro opportunity. People are definitely looking at this dynamic of enhancing the bandwidth performance between memory and GPUs slash CPUs. So when I think about an established company like Marvell making such an investment that's publicly been announced, it makes me feel good about the direction and the strategy that we're deploying here and developing that type of system-level product in memory.

Maddie DePaola | Analyst, Rosenblatt Securities:

Okay, great. Thank you.

Operator | Conference Operator:

There are no further questions at this time. I will now hand it back to Mark Adams, CEO for closing remarks.

Mark Adams | Chief Executive Officer:

Thank you, operator. I would like to thank our worldwide employees for their dedication and commitment. Our Q1 results reinforce that we are on the right path. And we continue to grow our pipeline of new opportunities helping our valued customers manage the complexity of their AI infrastructure. Thank you all for joining today's call.

Operator | Conference Operator:

This concludes today's call. Thank you for attending. You may now disconnect.