

02-Feb-2023

Viavi Solutions, Inc. (VIAV)

Q2 2023 Earnings Call

CORPORATE PARTICIPANTS

Sagar Hebbar

Head-Investor Relations & Corporate FP&A, Viavi Solutions, Inc.

Oleg Khaykin

President, Chief Executive Officer & Director, Viavi Solutions, Inc.

Hendrikus Petrus Cornelis Derksen

Chief Financial Officer & Executive Vice President, Viavi Solutions, Inc.

OTHER PARTICIPANTS

Mehdi Hosseini

Analyst, Susquehanna Financial Group LLLP

Michael Genovese

Analyst, Rosenblatt Securities, Inc.

Alex Henderson

Analyst, Needham & Co. LLC

Ruben Roy

Analyst, Stifel, Nicolaus & Co., Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Hello and thank you for standing by. My name is Regina and I will be your conference operator today. At this time, I would like to welcome everyone to the Viavi Solutions' Fiscal Second Quarter 2023 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

I would now like to turn the conference over to Sagar Hebbar, Head of Investor Relations. Please go ahead.

Sagar Hebbar

Head-Investor Relations & Corporate FP&A, Viavi Solutions, Inc.

Thank you, Regina. Welcome to Viavi Solutions' second quarter fiscal year 2023 earnings call. My name is Sagar Hebbar, Head of Investor Relations for Viavi Solutions. Joining me on today's call are Oleg Khaykin, President and CEO; and Henk Derksen, CFO.

Please note this call will include forward-looking statements about the company's financial performance. These statements are subject to risks and uncertainties that could cause actual results to differ materially from our current expectations and estimation. We encourage you to review our most recent annual report and SEC filings, particularly the risk factors described in those filings. The forward-looking statements, including guidance we provide during this call, are valid only as of today. Viavi undertakes no obligation to update these statements.

Please also note that unless we state otherwise, all results except revenue are non-GAAP. We reconcile these non-GAAP results to our preliminary GAAP financials and discuss their usefulness and limitations in today's earnings release. The release plus our supplemental earnings slides, which include historical financial tables are available on Viavi's website at [ph] www.investor.viavisolutions.com (00:02:05).

Finally, we are recording today's call and will make the recording available by 4:30 PM Pacific Time this evening on our website.

I would now like to turn the call over to Henk.

Hendrikus Petrus Cornelis Derksen

Chief Financial Officer & Executive Vice President, Viavi Solutions, Inc.

Thank you, Sagar. Fiscal Q2 2023 slightly exceeded our lowered expectations, mainly as a result of anticipated headwinds in service provider spending. Fiscal Q2 revenue came in at \$284.5 million, down 9.6% year-over-year and above our guidance range of \$261 million to \$281 million. Viavi's operating profit margin of 16.2% decreased 550 basis points from last quarter and 710 basis points from prior year although above our guidance range of 13.9% to 14.9%. EPS at \$0.14 per share was down 41.7% from the prior year and 39.1% from the prior quarter results and exceeded the guidance range of \$0.10 to \$0.12 per share. The current share count was 227.1 million during the quarter, down from 242.3 million shares in the prior year as we continue to improve the quality of the balance sheet.

Cash flow from operations was \$46.2 million versus \$22.2 million in the prior year. And year-to-date, cash flow from operations continues to be strong at \$72.8 million, compared to \$75.6 million last year during the first half.

Now, moving to our reported Q2 results by business segment, starting with NSE. NSE quarterly revenue was impacted by lower service provider spend at \$207.1 million and declined 15.2% year-over-year, slightly ahead of our guidance range of \$187 million to \$203 million. Although on lower levels compared to prior year and as the quarter progressed, demand patterns stabilized within NSE. NE revenue of \$179.7 million declined 16.2% year-over-year driven by the weakness in service provider spending.

SE revenue at \$27.4 million decreased 8.1% from last year. NSE gross profit margin at 64.4% decreased 90 basis points year-over-year. Within NSE, NE gross profit margin at 64.1% decreased 30 basis points from the prior year, primarily due to decline in volume. SE gross profit margin at 66.8% decreased 500 basis points from last year, primarily due to product mix. NSE gross profit margin – operating profit margin at 8.9% exceeded our guidance range of 5.5% to 6.5%, albeit down 980 basis points year-over-year.

Now turning to OSP. Second quarter revenue at \$77.4 million was up 9.6% year-over-year. Revenue was near the high end of a guidance range of \$74 million to \$78 million. Gross profit margin at 52.3% decreased 390 basis points from the prior year, mainly result of start-up costs in our new Arizona facility.

Operating profit margin at 35.5% was within our guidance range of 35% to 37%, down 370 basis points from a year ago. On February 1, 2023, the company approved a restructuring and workforce reduction plan to improve operational efficiencies and better align the company's workforce with a current business needs and strategic growth opportunities.

The company expects approximately 5% of its global workforce to be affected and estimates it will incur charges of approximately \$15 million in connection with this plan. The company anticipates the plan to be substantially complete by the end of fiscal 2023.

Now, turning to the balance sheet. The ending balance of our total cash and short-term investments was \$489.7 million, down \$27.4 million sequentially as a result of capital deployment towards both acquisitions and stock repurchases. As mentioned earlier, operating cash flow for the quarter was \$46.2 million, an increase of \$24 million year-over-year.

The increase was a result of solid collections. In addition, we invested \$18.1 million in capital expenditures during the quarter, compared to \$14.8 million in the prior quarter, primarily due to complete the build out of our new Arizona production facility. During fiscal Q2, we repurchased 2.2 million shares of our common stock for \$25.2 million under the share repurchase program announced in September, leaving a remaining balance of \$274.8 million worth of shares authorized for repurchase. As you may recall, in September, we announced that the board authorized a new common stock repurchase program for up to \$300 million.

In addition, we successfully closed the acquisition of Jackson Labs in fiscal Q2 2023. The total purchase consideration comprised of approximately \$49.9 million in cash and contingent consideration of up to \$117 million in cash based on the achievement of certain operational and revenue targets to be achieved over a three-year period. This transaction provides Viavi a leadership position and resilient PNT supporting government service providers in protecting their key infrastructure and assets. The transaction allows us to leverage our existing go-to-market model and utilizes US federal NOLs.

Now on to our guidance. We expect the fiscal third quarter 2022 revenue to be approximately \$266 million, plus or minus \$10 million. Operating profit margin is expected to be 13.6%, plus or minus 60 basis points, and EPS to be in the range of \$0.10 to \$0.12 per share. We expect NSE revenue to be approximately \$197 million, plus or minus \$8 million with operating profit margin at 7.7%, plus or minus 50 basis points. OSP expected to be approximately \$69 million, plus or minus \$2 million with operating profit margins of 30.5%, plus or minus 100 basis points.

Our tax rate is expected to be between 23% and 25% as a result of jurisdictional mix. We expect other income expenses to reflect a net expense of approximately \$4.5 million. Share count is expected to be around 226 million shares based on current stock price levels.

With that, I will turn the call over to Oleg.

Oleg Khaykin

President, Chief Executive Officer & Director, Viavi Solutions, Inc.

Thank you, Henk. Fiscal second quarter of 2023 came in above our guidance range, driven by better than expected NSE performance [indiscernible] (00:10:48) by stabilization in service providers demand and spend. Our OSP business grew year-over-year and came in within the guidance range. Starting with the NSE. NSE declined on a year-over-year and sequential basis. During the December quarter, we continued to see a continuation of general pullback in service providers OpEx and CapEx spend that started during the last two weeks of September.

In addition, we also did not see any meaningful year-end budget flush. Decline in NE was primarily driven by weaker demand in our fiber and wireless lab products by Tier 1 service providers and wireless NEMs, responding to reduced business outlook. This was partially offset by stronger demand for our wireless field instruments driven by the 5G C-band infrastructure deployment. In addition, we saw a strong traction with the recently acquired Jackson Labs, a resilient PNT product. I'm pleased with the market momentum for resilient PNT technology as it increasingly becomes a must-have by the government and service providers, as they adopt resilient PNT technologies to protect their strategic infrastructure and assets.

Looking at the current quarter, we expect the demand softness to persist as many of our customers are continuing to pare back their CapEx and OpEx in face of weakening end-market conditions. That said, we are encouraged with the service provider spend stabilization and are starting to see early signs of near-term recovery.

We expect field instruments demand to start picking up by mid calendar 2023, as service providers retrench and rebalance their CapEx and OpEx plans and resume their fiber network build-outs and 5G C-band expansion. This is expected to drive the recovery in demand for our fiber and field RF products. In addition, we also expect several major cable operators to start upgrading their networks during 2023, which is expected to drive the demand for our cable field instruments.

Our SE business segment grew 14.2% sequentially, in line with our expectations. We expect SE revenue to remain steady at the current levels for the remainder of fiscal 2023.

Now turning to OSP. OSP increased 9.6% year-over-year, driven by growth in both anti-counterfeiting as well as 3D sensing products and performed in line with our expectations. Looking ahead, we expect second half of fiscal 2023 to be weaker, with quarterly core OSP revenue moderating to about \$65 million per quarter, driven by weaker anti-counterfeiting product demand, as some of our major end customers pull back on fiscal stimulus. We also expect weaker year-on-year demand for 3D sensing products in the second half of fiscal 2023, driven by lower end customer demand.

In view of weaker near-term demand environment, we're implementing a limited restructuring plan for our NSE and OSP businesses, intended to align our operating expenses with the expected lower near-term customer demand and to redeploy investment to strategic growth areas in order to position Viavi for accelerated revenue and profitability growth as the end markets recover.

In conclusion, I'd like to thank my Viavi team for managing in this challenging environment and express my appreciation to our employees, customers, supply chain partners and shareholders for their support.

I will now turn the call over to Sagar.

Sagar Hebbar

Head-Investor Relations & Corporate FP&A, Viavi Solutions, Inc.

Thank you, Oleg. This quarter, we'll be participating at Morgan Stanley's TMT conference in San Francisco on March 6. We will also be attending the MWC in Barcelona and OFC in San Diego.

Regina, let us begin the Q&A session. We ask everyone to limit the discussion to one question and one follow-up.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of Mehdi Hosseini with Susquehanna. Please go ahead.

Mehdi Hosseini

Analyst, Susquehanna Financial Group LLLP

Yes. Thanks for taking my question. Just in terms of what you just described for NSE and OSP in the near term, should I expect a kind of a flat to down quarterly trend into the last quarter of the fiscal year and then a more meaningful pickup into next fiscal year?

Oleg Khaykin

President, Chief Executive Officer & Director, Viavi Solutions, Inc.

So, I would say, seasonally, March quarter is one of our weaker quarters and I think even though in the last two years because of the constrained supply, seasonality was not as pronounced. I think this time around we are seeing seasonality returning. So I would actually expect – I think typically our fourth quarter, we start seeing pick up. So I would expect the fourth quarter to be stronger than the third quarter. And I'd say as it goes to September, it's a little bit too far out, outside of our outlook, but I would expect it also to be coming in stronger especially for OSP.

Mehdi Hosseini

Analyst, Susquehanna Financial Group LLLP

Okay. And then specific to OSP, as we look into next couple of quarters, how do you see the mix evolving – the NSE benefits from a pickup lower base, especially as the service providers have become more cautious. That could actually play to your favor if the compares are easier. But I'm not so sure if the compares are relevant as I think it was OSP into next fiscal year. Any color would be appreciated.

Oleg Khaykin

President, Chief Executive Officer & Director, Viavi Solutions, Inc.

So, well, let me just start and see if I am addressing your question. So when we think about OSP, you got to think of it two ways, right? There's fundamentally two major segments and there's anti-counterfeiting and then there's 3D sensing. One, the demand for smartphones is very strong. So, effectively, if both anti-counterfeiting and 3D sensing are running strong, right, strong demand, you're in the \$90 million quarterly run rate. When both of them are running weak, as what we see like this quarter, right, our 3D sensing demand is lower and anti-counterfeiting is lower, you're closer to about \$70 million quarterly run rate.

When either one of them is strong and the other one is weak, you're in about \$80 million range. So we think in the – over the next two quarters, there's headwinds for both 3D sensing, there's a lower outlook demand for the smartphones, and we are also seeing number of major economies are pulling back on fiscal stimulus. So it may take them a little bit longer to work through the inventories of products they already have. So we think that's also going to be in the lower end.

So, we are – clearly, March quarter, we see more clear demand. So we are saying to be in a neighborhood of like high \$60 million, like \$70 million. I think Q4, if anti-counterfeiting comes back a little stronger or smartphone

comes in stronger, it may be better but we are for the abundance of caution saying first half to be in the \$70 million range per quarter for OSP. So I'm not sure if I had answered your question.

Mehdi Hosseini

Analyst, Susquehanna Financial Group LLLP

Yes, you do. That's helpful. I'll go back in the queue. Thank you.

Oleg Khaykin

President, Chief Executive Officer & Director, Viavi Solutions, Inc.

Yeah.

Hendrikus Petrus Cornelis Derksen

Chief Financial Officer & Executive Vice President, Viavi Solutions, Inc.

Thank you.

Operator: Your next question comes from the line of Alex Henderson with Needham. Please go ahead.

Alex Henderson

Analyst, Needham & Co. LLC

Thanks. So a couple of clarifications just to be clear. The [indiscernible] (00:19:11) is going to be completed by the June quarter. You've talked about the size of the cost, but I didn't see any indication of what you think the benefits to results might be. What's the – and what's your intended use of that benefit will be, whether it will be invested in something else or whether it will actually show through to the bottom line? So could you give us some sense of what the cost reduction scale of benefits might be and what you're going to do with it?

Hendrikus Petrus Cornelis Derksen

Chief Financial Officer & Executive Vice President, Viavi Solutions, Inc.

Sure. Sure. So 5% of our workforce will be impacted. The majority will be focused in the NSE business, a little bit in the OSP business. And we'll be targeting operating expenditures most notably, so [ph] about \$5 million (00:20:00) of OpEx, 5% of the workforce, so call that a \$25 million annualized benefit, of which we'll see the impact in the September quarter on a full basis.

Alex Henderson

Analyst, Needham & Co. LLC

Okay. And then going back to the OSP business for a second, so in the December quarter, you're talking about \$24 million, \$25 million worth of the 3D sensing. And I assume when you're talking about the March quarter that the \$55 million number was just the counterfeiting. And could you give us some sense of what you think...

[indiscernible] (00:20:48)

Alex Henderson

Analyst, Needham & Co. LLC

It sounds like it's coming down into the \$15 million to \$18 million range in both the June and March quarters. Is that correct?

Hendrikus Petrus Cornelis Derksen

Chief Financial Officer & Executive Vice President, Viavi Solutions, Inc.

That's exactly right. It's about \$55 million for core or anti-counterfeit...

A

Oleg Khaykin

President, Chief Executive Officer & Director, Viavi Solutions, Inc.

Yeah.

A

Hendrikus Petrus Cornelis Derksen

Chief Financial Officer & Executive Vice President, Viavi Solutions, Inc.

...and then another \$14 million or \$15 million or so for 3D sensing [ph] product line (00:21:05).

A

Alex Henderson

Analyst, Needham & Co. LLC

If I could just steal one more on Jackson Labs, can you give us some sense of what it contributed in the December quarter? What it might just contribute in the [ph] following (00:21:14) quarters?

Q

Hendrikus Petrus Cornelis Derksen

Chief Financial Officer & Executive Vice President, Viavi Solutions, Inc.

A couple of billion dollars in revenues there, and maybe rounded to \$0.005 or \$0.01 in EPS.

A

Alex Henderson

Analyst, Needham & Co. LLC

Perfect. Thank you.

Q

Operator: Your next question comes from the line of Michael Genovese with Rosenblatt Securities. Please go ahead.

Michael Genovese

Analyst, Rosenblatt Securities, Inc.

Great. Thanks. Thanks. Hi, guys. I guess, oh, like, I'm trying to get the thread on [ph] carrier (00:21:45) CapEx and OpEx a little bit more clearly because clearly it was even better than you guided to in the quarter, but you talked about the macro, but yet it seems like calendar 2023 spend seems like it's going to be okay.

Q

And you're also saying that later in the year. AT&T's guidance was good. I think Verizon's was good on the wireline side and maybe not as good on the C-band side. So, could you just put all of those together and sort of how – what exactly are we saying about CapEx and OpEx and the NSE business operating at a higher level because of those things?

Oleg Khaykin

President, Chief Executive Officer & Director, Viavi Solutions, Inc.

Sure. Sure. So I think it's almost like when we had our earnings call in early November, we said, okay, it feels like it's a replay of the March quarter of 2020 when the COVID hit. First, there is a panic and I think a lot of them kind of panicked in September and [ph] climbed (00:22:44) down. And then, usually, they step back and see, well, let's think, what are we going to do? Well, let's – they reassessed and said, well, we've got to take down some CapEx.

A

And by the way, we really could care less about CapEx because we don't get impacted by that. But that's usually where a big money comes out. And then they say, well, we still have the business to run, so we got to start doing something more on OpEx. We've kind of pulled back too much. So usually, that quarter, second quarter is when a lot of realignment happens.

And then in the following quarter, which is where we are right now, there is now a reassessment and planning. Okay, so what are we going to do? So the CapEx reductions get communicated to NEMs and we've seen number of major NEMs stating that lo and behold, yes, they're going to get less revenue this year, even though most of them were in denial or ignoring it in October. And so now the – so that's kind of the CapEx plans. But then the OpEx plans come in. Because a lot of the equipment is already coming in and came in and needs to be installed, deployed, turned on. Well, you need the tools for that and that's really comes back to us.

So we're seeing – you mentioned AT&T, Verizon. I mean, there is not – okay, the world didn't come to an end. Guess what? We still need to build out networks. We need to turn on the services and let's start thinking about the deliveries and orders. This is why I'm saying we're feeling good that we are starting to see stabilization and the right signals coming out with the demand for field equipment. And it gets even better. I mean, you've seen the AT&T announcement with BlackRock. Well, now they just have a whole part of extra money to go and extend the fiber to the states where they were not even playing. And that brings a whole different element of competitiveness, whereas the cable players now need to respond sooner rather than later and equalize relative performance of cable network versus fiber.

So I feel very good that we're going to see a recovery and growth in fiber and cable spend this year. And by the way, last year cable was de minimis. Say it was kind of the pause year. So I think over the next two years we're going to see a mid – I would say mid-cycle upgrade of network before the DOCSIS 4.0. And what they're going to try to do is reallocate spectrum in the cable to have more symmetric bandwidth up and down. Right? And of course, in about two years, we expect DOCSIS 4.0, which would get you up to maybe up to 10 gigabit in speeds on the cable network. So that's why I feel in fiber and cable we're going to have some upsides starting in the middle of this year and going on beyond that. And of course, the 5G C-band deployment is ongoing. And now that equipment is there, we feel the demand for field instruments will be kind of our time to shine.

Michael Genovese

Analyst, Rosenblatt Securities, Inc.

Q

Well, I appreciate all that color and I had a couple of follow-ups in there and then you would get to the question. So I'm going to pass it on here. And again, thanks for the helpful answer.

Oleg Khaykin

President, Chief Executive Officer & Director, Viavi Solutions, Inc.

A

We'll get back to you. All right. Sure.

Hendrikus Petrus Cornelis Derksen

Chief Financial Officer & Executive Vice President, Viavi Solutions, Inc.

A

Thank you.

Operator: Your next question comes from the line of Meta Marshall with Morgan Stanley. Please go ahead.

Q

Hi. This is [indiscernible] (00:26:32) on for Morgan Stanley. Thank you for the question or – for Meta Marshall. Thank you for the question. I guess just – have you seen any changes to behavior from European customers and there's been [ph] times since (00:26:42) there seems to be some caution around overbuilding or maybe some rationalization over there? Any sort of geographic trends that you would want to call out?

Oleg Khaykin

President, Chief Executive Officer & Director, Viavi Solutions, Inc.

A

So I'll start and I'll turn it over to Henk. I think the – in the last quarter, there's been a lot of volatility regarding the exchange rates. So the European – I mean, there's been some slowdown in deployment, but the problem is more driven. They still spend the same budget, but they were getting fewer less equipment, right? So, actually, all things considered, we see actually EMEA doing pretty well. And there is a lot of structural problems. I mean, there's a lot of volatility of foreign exchange. But now we're kind of back to where we were in September in terms of euro and pound. And actually, the Europe is holding out relatively well, I would say, for us all things considered.

Q

Okay. That makes sense. And I guess just a quick follow-up just on the strategic activity in the space. I mean, just given sort of the National Instruments announcement, I guess, and maybe more industrial players wanted to get into maybe T&M or the broader industry, I guess. Just – does that change how you think about M&A opportunities, or any update to sort of your thoughts on M&A opportunities?

Oleg Khaykin

President, Chief Executive Officer & Director, Viavi Solutions, Inc.

A

Well, I mean, it's – I mean, even though – I mean, generally, National Instruments is in general category. Their business model is very different. They're very much focused on lab and some of the industrial deployments. And I'm not surprised that for the longest time, test and measurement has been kind of the Rodney Dangerfield for those who are old enough to remember that he wasn't getting respect. So I think these guys are realizing that it's a very attractive business model.

And – but also grass, I guess, is always greener on the other side. And when I see electrical, industrial – electrical power, industrial companies [ph] picking their nose (00:28:49) in our business, they really don't know what they are in for, because it's a very different business model. It's not a – it's – you have to keep spending money. And a lot of them are used to relatively low margins. And they get [indiscernible] (00:29:06) by high margins, but they forget that it continues to – they need to continue to reinvest nonstop in this business.

So I think – I mean, they are doing what they are doing. I mean, we are running our business to – with our eye on the longer-term growth. And I think our test and measurement is a bit different from a lot of what they call, industrial or a lab-based business. But it's a nice to see that our sector is getting the respect that for the longest time it was not getting.

Q

Got it. Okay. Thank you. That's helpful. I'll pass it on to the next.

Hendrikus Petrus Cornelis Derksen

Chief Financial Officer & Executive Vice President, Viavi Solutions, Inc.

Thank you.

A

Oleg Khaykin

President, Chief Executive Officer & Director, Viavi Solutions, Inc.

Yeah.

A

Operator: [Operator Instructions] Our next question will come from the line of Ruben Roy with Stifel. Please go ahead.

Ruben Roy

Analyst, Stifel, Nicolaus & Co., Inc.

Hi. Thank you for taking my question. I only got a quick follow-up on the discussion around Mike Genovese's question and the sort of service provider linearity that you're looking at. And, yeah, when you went into the down tick late September quarter, you had characterized that as being sort of broad based. And I guess the question is, is the stabilization you're seeing, which I guess is a little bit of a surprise in the December quarter given that you thought that this would be a two- to three-quarter phenomena, was that broad based or was that sort of specific to one or a few customers?

Q

Oleg Khaykin

President, Chief Executive Officer & Director, Viavi Solutions, Inc.

Well, I mean, if you think, our first quarter impact was September quarter because people just shut down. And during the December quarter, there was a lot of rebalancing, our customers looking at head count cuts, the CapEx cuts, like the OpEx redistribution. And I would say that we are now entering the third quarter of that. So, it's very much in kind of what I said, two, three quarter, and what is happening now. Usually in the first calendar quarter, many service providers are setting their budgets for the calendar year and they are starting to send smoke signals and engage with us in conversations. And the momentum of these conversations, I would say, is a positive one.

A

And they've now taken down some of their OpEx spends reductions. They've reduced their CapEx and now they're getting back to business as usual. And when you're spending less money, generally you want to get the most of what you already have. So you do – you invest in optimization of your network. And since a lot of equipment has been delivered in September, December quarter, now all that equipment needs to be put into production, so to say. And you need equipment to install it, turn it up and release it into operations, which also requires you to start buying new instrumentation and software to deploy your network.

So that's why I'm saying that this quarter we are seeing things are really stabilized and the discussions are now no longer how much can I push out the orders, but let's discuss the timelines and deliveries and what I will be requiring during this calendar year. So the tone is very different from what I would say, we saw at the end of September and a bit of a panic in the early October.

Ruben Roy

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Okay. Thanks for that detail. And I guess, just a quick follow-up then. When you talk about field instruments picking up mid-2023 is a combination of what you just talked about, plus, sort of the view that the cable guys start to pick up as well. So that should help us.

[indiscernible] (00:32:54)

Oleg Khaykin

President, Chief Executive Officer & Director, Viavi Solutions, Inc.

A

Well and that's a big deal because in the past – yeah, in the past two years, cables – most of the DOCSIS 3.0 was already done about three years ago, four years ago. So there's been – cable was kind of running at de minimis. So the mere fact there is going to be this and it's not one. It's actually several major cable companies are looking to do an upgrade where they bring up – they're still going to give you 1 gigabit on the line, but they're trying to make it more symmetric up and down and that requires an upgrade. And it looks like they are moving forward during this calendar year and the expectations that the DOCSIS 4.0 probably will be two years from now because the chipsets have not been developed yet. And so – and it's a – in many ways, it's a response to the aggressive fiber deployment that's happening out there. So in the way, it's part of the response to the competitive pressure from the fiber operators.

Ruben Roy

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Got it. Thank you so much.

Operator: I will now hand the conference back over for any closing remarks.

Sagar Hebbar

Head-Investor Relations & Corporate FP&A, Viavi Solutions, Inc.

Thank you, Regina. This concludes our earnings call for today. Thank you, everyone.

Operator: Thank you all for joining today's meeting. You may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2023 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.