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Q1 2024 Harmonic Inc Earnings Call

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PRESENTATION

Operator

Hello and thank you for standing by. Welcome to the first quarter 2024 Harmonic earnings conference call. My name is Towanda, and I will be your operator for today's call. (Operator Instructions) Please note that this conference is being recorded. I would now like to turn the call over to David Hanover, Investor Relations. David, you may begin.

David Hanover ***Harmonic Inc - Investor Relation***

Thank you, operator. Hello, everyone, and thank you for joining us today for Harmonic's first quarter 2024 financial results conference call. With me today are Patrick Harshman, President and Chief Executive Officer; Nimrod Ben-Natan, Senior Vice President and General Manager of Harmonic's broadband business; and Walter Jankovic, Chief Financial Officer. Before we begin, I'd like to point out that in addition to the audio portion of the webcast, we've also provided slides to this webcast, which you may do by going to our webcast on our Investor Relations website.

Now turning to slide 2. During this call, we will provide projections and other forward-looking statements regarding future events or future financial performance of the Company. Such statements are only current expectations and actual events or results may differ materially. We refer you to documents Harmonic filed with the SEC, including our most recent 10 Q and 10 K reports and the forward-looking statements section of today's preliminary results press release. These documents identify important risk factors which can cause actual results to differ materially from those contained in our projections or forward-looking statements.

Please note that unless otherwise indicated, the financial metrics we provide you on this call are determined on a non-GAAP basis. These metrics, together with corresponding GAAP numbers and a reconciliation to GAAP are contained in today's press release, which we have posted on our website and filed with the SEC on Form eight K. We will also discuss historical financial and other statistical information regarding our business and operation, and some of this information is included in the press release. The remainder of the information will be available on a recorded version of this call or on our website. And now I'll turn the call over to our CEO Patrick Harshman. Patrick?

Patrick Harshman ***Harmonic Inc - President, Chief Executive Officer, Director***

Thanks, David, and welcome, everyone, to our first quarter call where today we reported our Q1 results and updated full year outlook, both of which are in line with our prior guidance and demonstrate solid execution and continuing confidence in our growth opportunities.

Key business highlights include strong broadband orders and new customer wins, supporting this business's sustained multiyear growth trajectory continued video SaaS revenue growth, driven by new sports opportunities and ad delivery technology and the retirement of our outstanding convertible debt this month, capping share dilution associated with convertible notes. We also announced on April eighth, my planned retirement on June 11th, the date of our annual shareholder meeting and our board selection of them rod bending time as the next CEO from us Broadwater and the senior homeowners team has my full confidence and driving the next phase of growth for our company and look forward to having a continuing supporting relationship with Nimrod and the Board for at least another year.

And with that, I'll now turn the call over to Nimrod to provide a more detailed update and our broadband business.

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Nimrod Ben-Natan ***Harmonic Inc - Senior Vice President, General Manager - Cable Products***

Thank you, Patrick. Moving now to our broadband business on slide number four, we reported segment revenue of 78.9 million, a decrease of 31% sequentially and 21% year over year, which was in line with our expectations. We had another strong quarter of new bookings, driving record new backlog. The number of global customers deploying our solution reached 113, up 20% year over year, corresponding with 28.6 million boxes. Cable modems now serve worldwide. This represents approximately 60% of cable modems deployed globally again, highlighting the substantial Docsis growth opportunity still in front of us in addition to further upgrades to Docsis four o. and fiber to the home as a result of this growth the Loral has recognized Harmonic with a fourth consecutive year of market share leadership in the DDA category, which is virtual CMTS or and remote five devices, as well as becoming global market share leader in total cable broadband equipment. As we communicate communicated last quarter, the pace of Docsis for oh shipments is accelerating in accordance with our plan, and we expect this to expand further in the second half of the year. Additionally, we recently participated in the cable up stocks as for ONDA. technology interop event where we showcased our end to end boxes for our solution, highlighting record speeds of 9.4 gigabit per second for Docsis and interoperability with multiple boxes for cable modems. We are also getting increased customer interest in our boosted Docsis three one capability, which is unlocking the full potential of the existing Docsis networks in combination with a new generation of boxes for modems. This upgrade option is creating a unique opportunity for cable operators to achieve fiber speeds at the lower capital intensity and faster time to market, driven by the migration to higher speed networks. We announced earlier today, a new and unique product capability, the Beacon, which is a new application running on our COS. edge compute platform alongside the virtual CMTS. And it helps maximizing the broadband speed while lowering the operating cost of maintaining the network and dynamically addressing noise interference using our edge compute platform and AI implementation.

In the first quarter, we built on the momentum of our fiber-to-the-home initiatives. Most notably, we have secured a seven digit purchase order for our recently launched new fiber products from an international Tier one customer. This important milestone further validates our innovative approach with our fiber solutions. We also see continued traction with our fiber Island strategy. We are enabling operators who use our Docsis technology to fiber Connect high-value customers and MDUs within their existing HFC footprint, salience and self overbuilds to enhance services in a way that reduces churn within existing service areas and enabling dramatically cost effective edge out was fiber during the first quarter. We also announced that Millicom Tegal is accelerating deployments with our node based solution to offer fiber to the home service. These advancements are critical as we continue to scale our operations and add fiber as a key driver of our financial success. Both Comcast and Charter contributed greater than 10% of our first quarter revenue and we are grateful to be working with both of them to scale and expand their respective deployment milestones. We continue to focus on further diversifying our business. This is showing positive results with a larger portion of our business coming from other from others in the marketplace. We are seeing an expanding pipeline of opportunities from these other operators driven by urgency to modernize their architecture to enable greater reliability and higher upstream and downstream speeds. As part of this effort, we recently hired Jeff Glenn as our new global SVP of sales to exclusively lead our broadband go-to-market strategy, and I have also expanded the team was dedicated fiber sales and specialties.

In summary, our broadband business continues to be uniquely positioned with differentiated technology advantages great customer relationships, expanding backlog and a reach a array of new products and business opportunities that give us confidence in our multiyear growth outlook.

We executed the first quarter according to our 2024 plan and our confident in our ability to carry this execution forward through 2024 and beyond.

I'm excited to be here today and honored to have been chosen by our Board to serve as the next CEO of Harmonic. I look forward to connecting with many of you in the coming weeks. Now let me turn it back to Patrick.

Patrick Harshman ***Harmonic Inc - President, Chief Executive Officer, Director***

Okay. Thanks, Nimrod, on Turning now to our Video segment, the big picture is that we continue to see streaming sales become a larger portion of the business in addition, we've closed our strategic review and are now actively rebuilding business momentum for the focus on further sales growth and driving improved profitability.

Saas revenue in the quarter was $12.9 million, up 11% year over year, but down modestly sequentially. Total segment revenue was $43.2 million, down from $57.3 million a year ago, we've continued to see macroeconomic and sector headwinds impacting our traditional pay

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TV customer spending on appliances. And our strategic review process was also causing a growing number of appliance and SaaS customers to hold back on new commitments pending the outcome.

Looking more closely at our sales results, we're seeing growing usage by our largest and most successful customers, especially for live sports, partially offset by the loss of a couple of mid-tier streaming customers who lost content rights and oriented to financial problems driven by the success we continue to have with our Tier one SaaS customers. We've continued to invest and innovate to new streaming related technology for new in-stream. Personalized ad technology was a huge hit at the recent NAB Show for those of you aren't familiar with in-stream advertising. It's the creative insertion of personalized ads. While viewers are still watching live action programs versus the traditional ads that are simply inserted into programming breaks. And based on this and other unique technical capabilities, our pipeline of opportunities with new and existing sports focus streaming customers is stronger than it has been since we launched our size activity, the marriage of high-quality screen, live sports with personalized ads and experiences continues to look to us and our media customers like a real winner. But that said, we also recognize marketplace headwinds affecting appliance sales remain persistent industry-wide. And so we're taking action to restructure and streamline as a result of these actions and our continuing confidence in our streaming sales growth plan. We're increasing our full year segment EBITDA outlook. And with that, I'll now over to Walter for a deeper discussion of our results, actions and outlook.

Walter Jankovic ***Harmonic Inc - Chief Financial Officer***

Thanks, Patrick, and thank you all for joining us today. And before I discuss our quarterly results as well as our outlook, I'd like to remind everyone that the financial results I'll be referring to are provided on a non-GAAP basis. As David mentioned earlier, our Q1 press release and earnings presentation includes reconciliations of the non-GAAP financial measures to GAAP that are discussed on this call, both of these are available on our website. Our first quarter results were consistent with our expectations. Additionally, we exceeded the midpoint of revenue guidance in broadband. I'll call out some of our first quarter highlights here on Slide 7. For the quarter, we reported total revenue of $122.1 million. We also reported EPS of $0 bookings of $146.1 million, a strong book-to-bill of 1.2 and our record backlog and deferred revenue of 677.8 million.

Before reviewing our first quarter financials in more detail and providing detailed Q2 and full year 2024 guidance, I'd like to highlight a few key points regarding our guidance regarding broadband, we are reaffirming our FY 24 revenue guidance range of 460 to 500 million. As we do each quarter, we closely evaluate the latest customer information forecasts and commitments. Just prior to our earnings call. Although the mix of customer business has changed from our prior guidance in total, we expect to meet our FY 24 revenue guidance range. At the midpoint of our reaffirmed FY 24 broadband guidance, we expect revenue to increase 24% year over year based on expected momentum in the second half of 2024. We continue to anticipate 2025 broadband revenue growth will accelerate on a year-over-year basis. As Nimrod mentioned earlier, we are well positioned with our leading technology, strong backlog and our customer success to drive continued multiyear growth.

With regards to video, we are increasing our FY 24 EBITDA guidance due to actions we are taking to improve profitability, which I will discuss in more detail in a few minutes.

Turning to Slide 8. Total Q1 revenue was 122.1 million, down nearly 23% year over year and 27% on a sequential basis. This was in line with the updated guidance we provided in early April and above the midpoint of the original guidance we gave on our last earnings call.

Looking more closely at broadband, Q1 revenue was $78.9 million, a decrease of 21% year over year and consistent with our guidance as anticipated, during the first quarter, we saw reduced shipments from a large Tier one customer in video. Q1 revenue was $43.2 million with lower appliance sales compared to last year due to the factors Patrick mentioned earlier. At the same time, video revenue included SaaS revenue of $12.9 million, an 11% year-over-year increase and representing 29.9% of segment revenue for the quarter. Video SaaS revenue growth continues to be driven by live sports streaming expansions and new customer wins. In the first quarter, we had two customers representing greater than 10% of total revenue, with Comcast representing 29% of total revenue and charter representing 17% of total revenue. Total Company gross margin was 52.5% for Q1 24 above the high end of our original guidance range and reflecting sequential gross margin improvement in the broadband business segment, broadband gross margin was 47.5% for Q1 24, up 510 basis points sequentially and down 260 basis points year over year due to product mix. Video gross margin was 61.6% in Q1 24, up 120 basis points year over year. And down 300 basis points from an all-time segment record in Q4 23, mainly due to macroeconomic headwinds.

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Moving down the income statement on slide 9, Q1 24 operating expenses were $62.8 million, down 5% year over year. Adjusted EBITDA for Q1 24 was $4.1 million, comprised of $10.4 million from broadband and negative 6.4 million from video. Adjusted EBITDA for broadband exceeded our expectations, while video came in at the low end of our expectations due to the lower revenue. This all translated into Q1 24 EPS of $0 per share, in line with our previous guidance and compared with $0.13 in Q4 23 and $0.12 per share for Q1 23. We ended the first quarter of 2024 with a calculated diluted weighted average share count of $118.1 million compared to 115.7 million in Q4 23 and $117.8 million in Q1 2013. The sequential increase is primarily due to the increased convertible debt dilution, partially offset by share buybacks.

Turning to the order book, Q1 bookings were 146.1 million. The book-to-bill ratio was strong at 1.2 for the quarter. For Q4 23 and Q1 23, our book-to-bill ratios were 1.2 and 2.1 respectively. As we've stated previously, over time, we expect the ratio to normalize and approach the historical benchmark of greater than one.

Turning to the balance sheet on slide 10, we ended Q1 24 with cash of $84.3 million, which was flat compared to Q4 23. Cash from operations provided $26.8 million due predominantly to a decrease in accounts receivable from collections, partially offset by the net loss in the quarter. We also used 21.7 million during the first quarter for share repurchases, which I'll discuss in more detail shortly.

Turning to accounts receivable and days sales outstanding at the end of Q1 24, DSO was 78 compared to 76 in Q4 23 and 50 in the prior year period. The prior year period was lower due to a large customer taking an early pay discount days. Inventory on hand was 134 days at the end of Q1 24 compared to 89 at the end of Q4 23 and one 63 at the end of Q1 23. Inventory increased $2.6 million in the quarter sequentially as a result of higher in seed following strong sales in Q4.

Turning to capital allocation, our top priority remains driving our future growth. When appropriate. We will strategically invest in building inventory as we've done in the past to meet strong demand in line with this strategy.

In December 23, we closed a five-year $160 million credit facility that included a $120 million revolving credit line and a 40 million delayed draw term loan. Subsequent to the end of the first quarter. On April 18th, we redeemed entirely the $115.5 million in convertible notes outstanding, repaying the principal in cash by using our credit facility and the value over par was distributed with approximately 4.6 million in shares. As of today, we have drawn down $115 million on this credit facility Additionally, with our enhanced liquidity position during Q. one 24, we bought back $21.7 million or approximately 1.7 million shares at an average price of $13.7. To date, we have repurchased 26.8 million of the $100 million approved under our repurchase program. As we said previously, the timing and amount of any stock repurchases will depend on a variety of factors, including the price of Harmonic's common stock, market conditions, corporate needs and regulatory requirements.

Also, as mentioned during our last earnings call, we plan to prudently manage our balance sheet by maintaining overall net leverage of around two times or less and available liquidity of no less than 100 million going forward, we believe we have sufficient available liquidity to continue funding our growth plans while returning capital to our shareholders through increased stock repurchases. At the end of Q1, total backlog and deferred revenue was a record $677.8 million. Our strong backlog reflects continued demand from our large broadband customers and growing video SaaS commitments around 54% of our backlog and deferred revenue has customer request dates for shipments of products and for providing services within the next 12 months.

Lastly, we generated $24.9 million in free cash flow during the quarter.

Before reviewing our guidance, just a few comments regarding our video business. As previously announced on April eighth, 24, following a formal strategic review of our video business, our Board of Directors concluded its review and determined that Harmonic would retain the business as part of our go-forward strategy. Harmonic's video business will be centered on driving profitable growth by focusing on scalable market opportunities, streamlining its operations and optimizing its cost structure. To align to this go-forward strategy, we are implementing a restructuring program to achieve cost savings in this business. Many of these initiatives are already underway and we expect the vast majority of them to be completed no later than Q3 of this year. We currently expect to incur approximately 17 million of restructuring costs related to these actions in 2024. We expect to achieve approximately 18 million in savings

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in FY 24 as a result of these actions and approximately 28 million in savings on an annualized basis in FY 25. We believe these actions are necessary to better align the video business with our go-forward strategy. Due to these actions, we are increasing our FY 24 video EBITDA guidance. At the same time, we are being conservative and reducing our FY 24 video revenue guidance to reflect ongoing video market weakness, which we expect to persist throughout FY 24. Once this restructuring is completed, we believe the video business will be able to achieve breakeven EBITDA at below 180 million of revenue per year.

With that, let's now review our non-GAAP guidance for the second quarter. Beginning on Slide 11. We expect broadband to deliver revenue between 85 to $95 million, gross margins between 47% to 48% due to product mix. Gross profit between 40 to $46 million and adjusted EBITDA between 11 to $15 million. For the full year, we expect revenue between 460 to $500 million. Gross margins between 46.5% to 48.5%, gross profit between 214 to $243 million and adjusted EBITDA between 95 to 119 million for broadband. We continue to expect to see a return to top line growth in the second half of the year and the potential to hit record quarterly revenue during that timeframe.

For our Video segment, in Q2, we expect revenue in the range of 40 to $45 million gross margin in the range of 62% to 63% gross profit in the range of 25 to $28 million and adjusted EBITDA to range from negative $5 million to negative 2 million for the full year, we expect revenue between 185 to $195 million, gross margins between 62% to 64%. Gross profit between 115 to $125 million and adjusted EBITDA to range from zero to $5 million. For video. We continue to be conservative, reflecting the factors I mentioned earlier.

Turning to Slide 12. For the second quarter of 2024, we expect total company revenue in the range of 125 to $140 million, gross margin in the range of 51.8% to 52.9%, gross profit to range from 65 to $74 million, adjusted EBITDA to range from 6 million to $13 million, a weighted average diluted share count of 116.8 million and EPS to range from zero to $0.05. And for the full year, we expect revenue between 645 to $695 million. Gross margins between 51.0% to 52.9%, gross profit between 329 to $368 million, adjusted EBITDA between 95 to 124 million, a weighted average diluted share count of 118.5 million and EPS to range from $0.51 to $0.71 per share in summary, we reported first quarter results in line with guidance. We believe our broadband segment continues to be well positioned for future growth. In addition, with our restructuring actions, we believe our Video segment will be better positioned for long-term growth and profitability.

And lastly, before turning it over to Patrick, I'll ask everyone to mark your calendars on June 13. We will be hosting a Virtual Analyst Day event, similar to the ones we have held in the past.

During this event, we will provide multiyear updates for both our broadband and video business segments. Please stay tuned for additional details as we get closer to the date. Thank you, everyone, for your attention today. And now I'll turn it back to Patrick for final remarks before we open up the call for questions.

Patrick Harshman ***Harmonic Inc - President, Chief Executive Officer, Director***

Thanks, Walter. And in summary, Harmonic delivered another solid quarter. Our order book, competitive position and customer relationships are stronger than ever, and we continue to be uniquely positioned for sustained growth.

And finally, on a personal note, I've been privileged to work alongside my talented and committed Harmonic colleagues, some great customers and shareholders who both challenged and supported me to all of you, I wanted to again say thank you and to convey my view that the best is still to come for HERmark and with that, let's, as Walter said, open up the call now for your question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Simon Leopold, Raymond James.

Simon Leopold ***Raymond James & Associates - Analyst***

Your line is open and thanks for taking the question. Patrick, this is the last call you you'll be doing just wanted to thank you for the time you've worked with us has been a great help and Nimrod, we're looking forward to resuming and expanding relationship with you. But

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getting into question at one of the things I wanted to see if we could explore was Harmonic dependent on the evolution of amplifiers, particularly for the rollout of Docsis four Dido. I understand you're not a manufacturer of the amplifiers, but want to understand how that affects your trajectory and what you are assuming for the availability of both extended spectrum and full duplex amplifiers.

Walter Jankovic ***Harmonic Inc - Chief Financial Officer***

Thank you. And so a couple of things, Simon, first of all, any on remote kind of five device and network expansion and that operators that are going for O. are doing are always forward-looking and even if they put it in an area which is not borrow, they would love to put something which is for oh upgradable for whenever the rest of the network will become rated to FARO same thing as others are putting for our amplifiers or passives and so forth. So that's number one, number two. And I think you should go back to what was kind of reported by the industry in terms of progress on the full duplex amplifiers, and I would go from the silicon to a vendor and the operator, all of them have reported progress and a plan to go into field trials this year with the plan to have that deployment going into 25. So that's our assumption based on everything that we've seen. And I guess many of you have visited the SCTE. show in October. This is progressing really well.

Simon Leopold ***Raymond James & Associates - Analyst***

And just maybe a quick follow-up on the video segment. I think Walter may made a reference to Patrick's comments as to some of the incremental weakness. And I understand some of the explanation is related to customers. Maybe pausing as the strategic strategic review, what's underway? What I'm looking for is maybe a little bit of help bridging how much of the shortfall might be attributed to a pause and then what the other aspects might be leading to the lower full year outlook for video?

Patrick Harshman ***Harmonic Inc - President, Chief Executive Officer, Director***

Thank you. Yes, Simon, I'll kick it off here. Just in regards to the expectations on the full year. As Patrick highlighted in the opening remarks, I mean, this was creating a pause with certain customers in terms of making making decisions. Obviously with the announcement that we made recently on that's opened up the conversations and there is an expectation that those conversations will move forward in terms of some of the business that was on on-hold. So I'd say from a full year guide perspective that the impact is marginal from that event and is more related to the the headwinds that we're continuing to see with regards, especially to the appliance business.

Simon Leopold ***Raymond James & Associates - Analyst***

Thank you very much.

Walter Jankovic ***Harmonic Inc - Chief Financial Officer***

I think, Simon.

Operator

George Notter, Jefferies.

George Notter ***Jefferies LLC - Analyst***

Hi, guys. Thanks very much. And I guess I just wanted to ask about come. There is a pretty significant ramp you guys have now for the balance of the year. I think on the broadband side, I was looking at they're calculating about 310 million in sales in the second half versus about 169 million in the first half and some I'm certain that your two largest customers are probably a big component of that. But could you give us any more sense for what you're seeing in terms of pipeline activity, some traction towards that second half ramp? And anything that could give us a bit more confidence in it would be would be helpful.

Patrick Harshman ***Harmonic Inc - President, Chief Executive Officer, Director***

Thanks. A lot. Okay. Certainly, maybe I'll start and then I'll ask Maria to provide some more some more color on that, George, on first of all, from a customer standpoint, as I mentioned in the opening remarks, and we're obviously tracking very closely with our largest customers in terms of the expectations for the full year and especially the back half of the year from a demand perspective from a supply chain, ensuring that we're ready for for the higher expected revenue in in broadband. And in addition to those larger customers, we do have an expectation of growing the rest of the customer base beyond the two largest customers. And so we made some great traction in Q1 in terms of our revenue level from those other customers and the team is highly focused in terms of continuing that momentum and

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building up the rest of the market opportunities and revenue in the back half. And I'd like to turn it over to Nimrod to provide some color around what we're seeing in the market and some of the very encouraging conversations we're having with with those other customers.

Yes, I think we talk a lot about boxes for FARO and some of the major customers that are driving that. But what we see through the rest of the market is an increased urgency to look into on what we call modernizing the network and whether you look at it competitively or just to keep up with a bandwidth demand, they have to go operators have to increase, whether it's the upstream or the downstream of the network. And I did touch on this what we call boosted the booster dot three one, which really gives you fiber speeds and we see more and more customers looking into that. This is now becoming available with availability of Docsis for old modem, have nothing to do with amplifiers or nodes or anything like that, just the combination of a 4G modem with a boosted the capabilities of three one network.

Also interesting. And you may have heard other customers announcing retirement of legacy Quantum video and moving to an all-IP. This is freeing up a lot of bandwidth in the network, which they can now put into this boosted architecture. So we have a lot of a lot of these discussions and in fact, of advanced stages in lab and field trials. And this is giving us the confidence home for the rest of the market to follow.

George Notter ***Jefferies LLC - Analyst***

Got it. Great.

Thank you.

I assume that the charter is a big piece of the second half ramp. I know those guys have talked about, for example, the next-gen cable Strategies conference, they were talking about kind of reaccelerating their or accelerating their remote TA build in July. Is that still something that seems doable from your perspective?

Patrick Harshman ***Harmonic Inc - President, Chief Executive Officer, Director***

We cannot comment on any specific customer activity?

I think specifically, if you look at the two major customers, both of them, I've announced their earnings last week and they did provide an update. So you can follow up on that. I believe charter talked about completing their upgrade by 26 on I cannot comment specifically on July or any specific date.

But.

Okay.

Thank you very much.

George Notter ***Jefferies LLC - Analyst***

I appreciate it.

Operator

Steven Frankel, Rosenblatt Securities.

Steven Frankel ***Rosenblatt Securities Inc. - Analyst***

Good afternoon. I wonder if you might give us a little more color on the seven figure fiber to the home deal that you talked about during your commentary. Was this a new customer or is this one within one of your existing cable wireless customers today, but so it's an existing Tier one international customer.

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Patrick Harshman ***Harmonic Inc - President, Chief Executive Officer, Director***

And what's exciting for us about this is that this is the adoption of new fiber product generation that we announced in during Essity last year, which is kind of the second phase of our fiber product introduction with excited because this is being adopted by a major Tier one customer for this for this new architecture and how quickly does it get deployed is something that will be deployed in the back half of this year or do we have that kind of prolonged ramp like we've seen with some of the Docsis customers?

So this is second half of the year. Shipments are starting early second half, and this is definitely second half.

Okay.

Steven Frankel ***Rosenblatt Securities Inc. - Analyst***

And then on maybe just an update on the color of customer conversation to NAB around streaming in the video business.

Patrick Harshman ***Harmonic Inc - President, Chief Executive Officer, Director***

Well, Steve, I'll take this one and I'll answer it in two ways. First, step term, if it felt to us was to some extent that the market was back coming to candidly, speaking, there's just been a little bit of a slowness to the overall space. It was both Walter and I explained we still see some of that come from some of that drag on the traditional client space. The streaming guys and the large media companies were out in force at NAB, talking about looking about new content, new ways of packaging that content and dumb and our data was jam-packed. As I mentioned, our pipeline leading up to and particularly after NAB around significant new SaaS streaming opportunities is substantially larger than it's been in the last four quarters and stronger than it's been really since we launched the SaaS offering. So while not exclusively sports is the bigger piece of that and part of it is supporting new, a new programming, new new rights, but another part of it is better monetizing the existing rights and done more than ever before. A discussions around new and innovative advertising models, particularly personalized advertising models. And as I mentioned, this in-stream advertising, which is you may have seen in a broadcast scenario at home where you know there's a squeeze back, et cetera. But that's all broadcasting. Everybody is seeing the same Ford truck advertisement to their Magic Quadrant on the squeeze back happens. And now something is being served up specifically for you or your neighborhood. That's that becomes really powerful. And it's something that's generating a lot of excitement and an incremental opportunity that we're seeing, Steve.

Steven Frankel ***Rosenblatt Securities Inc. - Analyst***

Okay.

And then lastly, just maybe a few more nugget on Beacon and how material could that be as a revenue contributor to the broadband business?

Patrick Harshman ***Harmonic Inc - President, Chief Executive Officer, Director***

First of all, it is a service. So it's a recurring service. We are not disclosing pricing or anything like that, but this is something that you can think of that scales with the number of on nodes or subscribers in the network on we expect we are in some customer field trial, and we expect this to start generating a small revenue. But late this year and over time, we see that the kind of the bigger the footprint of our COS. This is an add-on on top of that.

Steven Frankel ***Rosenblatt Securities Inc. - Analyst***

And just lastly, is that targeted at tier two specifically because Tier ones can figure out how to do this themselves? Or do you think even a Tier one customer could potentially get benefits from this product?

I guess your question is on the targeted ads or because I was not on peak in place, August on a week on can be relevant to any of our any of our customers. It's not so inclusive to only small one.

Great thank you so much.

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Operator

Ryan Koontz, Needham in Needham and Company.

Ryan Koontz ***Needham & Company LLC - Senior Analyst***

And most my questions have been answered, but maybe you can expand a little more on this in-stream advertising opportunity talking about in terms of the revenue and the deployment model, where is the whole market in terms of maturity in terms of being ready for this in-stream dynamic ad model?

I kind of thought that it was already there, but maybe I was misunderstood.

Patrick Harshman ***Harmonic Inc - President, Chief Executive Officer, Director***

It's not already there for them for this particular kind of advertising, avail or availability. Certainly personalized advertisements exist. But Matt, Matt matching up a personalized advertising with some not a program break. But ongoing live programming is is is new around. So in fact, I misspoke earlier about and customer meetings some and almost next volume, I would say in terms of meetings with a broader ecosystem now where we're, of course, not an ad matching company, et cetera. But we had a number of those of folks also through the booth. So I'm it felt very much that at NAB that term, not that we're miles are years away. But the things we're just now coalescing combination of the technology we're enabling and the pipeline together with those who do the on the ad inventory and matching and together with them with the people who will roll rotten now that all together into into services. So it's some?

Yes, it's pretty exciting. And I think we think we're going to see a lot of progress in the coming in the coming couple of quarters into next year.

David Hanover ***Harmonic Inc - Investor Relation***

Great, great.

Ryan Koontz ***Needham & Company LLC - Senior Analyst***

Thanks.

And just a quick follow-up on on the Docsis for supply chain. You feel ready to meet your customer need, which at this point in terms of the ramp, is it more supply chain limited or customers or kind of phasing phasing in the docks for hardware?

Patrick Harshman ***Harmonic Inc - President, Chief Executive Officer, Director***

On the I think the supply chain is not an issue, and it's a ramping according to the phasing that we've been working with our customer. So it's on track based on what we predicted previously.

Ryan Koontz ***Needham & Company LLC - Senior Analyst***

Got it.

Thanks, everyone. Thank you, Sandra.

Operator

Tim Savageaux, Northland Capital Markets.

Tim Savageaux ***Northland Securities, Inc. - Analyst***

Hey, good afternoon, AnorMED. I'll offer my congratulations as well to both you guys actually Synchrony past charter. But this thing we're doing about $40 million in legacy revenue and now talking about 480. So that's a pretty pretty amazing accomplishment over that period of time in terms of building the broadband business for both you guys and look forward to working with Jim, Rob, and it's really the diversification of that business that I think is critical now that you've put away both Comcast and Charter, which again is an amazing achievement. But moving forward, I think Walter made a comment about being pleased with the kind of non non-top two performance of the business, although and I'm doing this real-time and making a lot of assumptions, but it seems like that part of your business has

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been about 35, 40% of broadband revenue. And that percentage, I think was probably up in Q1, but I'm not sure the absolute number was, but I'd be interested in that if that range is about right? And how do you grow that business and whether it's fiber to the home with the other Tier ones? Are there other major global MSOs that could meaningfully meaningfully shift that balance. And to the extent I'm kind of right there, where would you like to have that number in a year?

Well, might be tough given charter full ramp. But what I'm saying, where do you want to take it over time?

Walter Jankovic ***Harmonic Inc - Chief Financial Officer***

That's a term. That's Walter. I'll kick it off and then Nimrod can add some more color color to it, but just in terms of your observations on when I made the comment that we were pleased with the first first quarter results, we did see some strong numbers for folks outside of the big two customers. And and then also from a forecast perspective, in terms of the reviews that we've had with Nimrod and the team around the full year and the expectation. And I think you hit the high points on the expectation around additional customers that are ramping on on from a Docsis standpoint, but also getting more traction on the fiber to the home type opportunities, both at the at the telco level, but more so in the strategy that Nimrod mentioned earlier around our cable customers and their strategies on focusing in on on fiber islands, et cetera.

So I think there's there's momentum there.

We were pleased with the mix of business we signed in Q1, but your observations that as we ramp up the second half, we obviously have the big customers that impact the overall number, but we're also seeing good traction and have good expectation around the rest of the customers growing from an absolute dollar perspective.

So I'll turn it over to Nimrod to provide a little more color on that.

Nimrod Ben-Natan ***Harmonic Inc - Senior Vice President, General Manager - Cable Products***

So I would say a couple of things.

First of all, there is a known list of operators that on heavier to make a migration to a next-generation architecture and we target them as key opportunities. We also have customers that are not 100% on our solution, they still have a legacy. So we're certainly looking to expand with them. And I would say above and beyond kind of the core architecture. We look at fiber as as another dimension of growth with existing cable customers and also outside, we see a lot of value that we bring into our fiber first customers. And this is an area where we have expanded our go to market, and we now brought kind of a fully dedicated sales leader on the broadband side, which was what I've seen over the last couple of weeks, couple of weeks is kind of boosting everything we're doing. So I would say the combination of all of that, along with the fact that we made it a priority. We're continuing to focus on our major customers kind of taking them through the transition that they make. But we feel that this is a good timing for us to focus on the rest of the market and make the right investments as well as, as I said, we feel the urgency on whether it's a fiber competition, whether it's the fixed wireless or the urgency to kind of extend the life off there, our Docsis broadband network, the combination of all of that brings many of them into a kind of more urgent discussion about upgrading their network. So obviously, we're going to keep kind of focusing on the execution and growing that piece as Walter described.

Tim Savageaux ***Northland Securities, Inc. - Analyst***

Great.

And thanks, for all that color, Rob and Walter, just to follow up, I think on another comment, which was, I guess, in maintaining the broadband revenue target for the year. I think you made a comment about kind of getting to the same place with a different mix. Is that sort of what we're talking about here, which is and more new customer revenue more fiber or digital means more, maybe less of a big customer because I'd like to them kind of barely UniRoam 13.

I'll just from an overall perspective, we have a lot of customer shift, as you would expect, as you know, things things move on through through the year?

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Patrick Harshman ***Harmonic Inc - President, Chief Executive Officer, Director***

I would characterize it as we had some shifts in big customers that had an impact as well. We've had some shifts in some of the smaller customers as well. And when I mean shift that could be positive in terms of more or could be less and so I think one of the key things and you hit it when you on your first question, it's all around diversification. And I think this is one of those situations as I looked at the number with the team for the full year, we're getting some benefits from diversification in terms of when when there's some changes going one way, there's some potential offsets another way. And so that's the way I would I would characterize the workup of the full year full year number. It's different than it was 90 days ago, but it's still holding in at the number we have overall that we guided to 90 days ago.

Tim Savageaux ***Northland Securities, Inc. - Analyst***

Great.

Thanks very much.

Thank you, Jim.

Operator

Thank you. Ladies and gentlemen, I'm showing no further questions in the queue. I would now like to turn the call back over to Patrick for closing remarks.

Patrick Harshman ***Harmonic Inc - President, Chief Executive Officer, Director***

Okay.

Well, thank you again, everybody for joining us this afternoon. We're excited about the quarter. We're excited about the momentum, and we're looking forward to our next opportunity with you all until then, have a good day.

Operator

But ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

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