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- **Tim Savageaux** *Northland Securities - Analyst*
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PRESENTATION

Operator

Welcome to the third-quarter 2024 Harmonic earnings conference call. My name is Josh, and I will be your operator for today's call. (Operator Instructions) Please note that this conference is being recorded.

I will now 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 third-quarter 2024 financial results conference call. With me today are Nimrod Ben-Natan, President and CEO; 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 for this webcast, which you may view 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.

And 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 8-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, Nimrod Ben-Natan. Nimrod?

Nimrod Ben-Natan *Harmonic Inc - President and CEO*

Thanks, David, and welcome, everyone, to our third-quarter earnings call.

Turning to slide 3. Today, we reported record Q3 results that demonstrated our team's strong execution of our business plans. These included record total revenue and adjusted EBITDA, as well as broadband and video segment revenues which exceeded our guidance.

Our broadband market leadership and product differentiation are stronger than ever, especially with the recent announcement of Unified DOCSIS 4.0 technology, reinforcing and expanding our competitive position. I will expand shortly on Unified. We have successfully returned the video business to profitability through right-sizing actions and revenue execution, and we are focused on advancing our pipeline of new Tier 1 SaaS streaming and larger-scale appliance opportunities.

Finally, based on our considerable progress today, we are reaffirming our full-year broadband 2024 revenue guidance and raising our EBITDA guidance for this business. In video, we are also reaffirming our 2024 EBITDA guidance. Walter will discuss this guidance in more detail.

Turning to slide number 4 to our broadband segment. We had strong quarter as we executed effectively on our key initiatives. Segment revenue came in at $145.3 million, representing year-over-year and sequential increases of 92% and 56%, respectively, both exceeding our original expectations.

The number of global customers deploying our cOS solution reached 121, an increase of 16% year over year. This growth represents over 32 million DOCSIS cable modems in operation globally, which is approximately 18% of the global market.

We continue to expand and diversify our customer base in Q3, securing business with seven new customers. This highlights the increasing demand for modernized cable network solutions and reflects our focus on continued market share growth.

Our pipeline of qualified new customer engagements continues to expand, and we expect this positive momentum to build going forward. The broader availability of Unified technology to all cable broadband operators is key driver of our accelerated customer acquisition and diversification success.

Additionally, we were pleased to see the recent announcement from Comcast and Rogers, where Rogers will deploy Comcast access solution based on our cOS virtual CMTS. We anticipate this deployment will begin to ramp up in the second half of 2025 and can be an important contributor to our multi-year growth opportunity.

Switching over to fiber, we continue to gain momentum with our fiber-to-the-home strategy. In Q3, we closed a record number of fiber deals with existing and new customers for both hybrid and pure fiber deals.

Also, since our last earnings call, Harmonic has partnered with Tribal Ready, a company dedicated to empowering native communities to bring high-speed fiber broadband connectivity to tribes nationwide in the US. This collaboration aims to bridge the digital divide for underserved tribal communities by leveraging our cOS platform and high-density OLT solutions.

We also continue to gain traction with our open ONU strategy, which disrupts traditional vendor-locked fiber ecosystems and make fiber more affordable for more operators. In addition to several successful customer interoperability on-site demonstrations, we are collaborating with half a dozen third-party optical network unit vendors to qualify devices. These ONU partners are helping us drive stronger value proposition that is resonating with a growing number of fiber customers.

Also, to provide a brief update on our activities related to BEAD, we have aligned with our US customers pursuing BEAD funding and have put plans in place to provide BABA remote OLT product deliveries in 2025 according to the requirements.

Turning now to DOCSIS 4.0. Our market leadership and execution momentum remains strong, with successful full-duplex node shipments and deployments continuing at a steady pace, a trend which has continued into the fourth quarter.

Following the important joint announcement by Broadcom, Comcast, and Charter at the recent SCTE TechExpo, Unified DOCSIS 4.0 technology is no longer limited to a small group of operators, but is now open to all cable broadband providers, a significant positive catalyst for the industry and for our business. Making Unified DOCSIS 4.0 available for all operators is a significant advantage for Harmonic, leveraging our uniquely flexible cOS core and our successful scale deployments of full-duplex nodes.

Our early experience with Unified technology enhances our leadership position. This combination of specification flexibility and Harmonic's capabilities enables operators of all sizes and strategic approaches to confidently plan upgrades to their DOCSIS networks, boosting speeds and increasing reliability with either full-duplex or extended-spectrum options, both supported with Unified. Since the announcement of Unified 4.0 just weeks ago, we've already received more than a dozen new requests to evaluate the technology and discuss deployment strategies.

While Unified represents a critical inflection point supporting the mid to long-term cable opportunity for Harmonic that we discussed during our recent Analyst Day, there will be short-term challenges as customers and prospects around the world now plan their technology transition strategies. Specifically, as we begin to look ahead to 2025, we see both significant new market movement and share gain opportunities, as well as new deployment timing challenges due to ecosystem integration requirements and new Unified RF front-end development. Walter will expand on this in his prepared remarks. We are also excited about Sercomm's recent announcement of Unified Smart Amplifiers, which are expected to enhance the overall Unified ecosystem and accelerate time to market.

In summary, our broadband business demonstrated our ability to scale rapidly to serve customer demand as we executed to the 2024 plan that we presented early this year. We continued to gain market share as we further expanded our technology leadership, positioning ourselves for sustained growth and competitive advantage.

Turning to slide number 5 to our video segment. Total segment revenue for Q3 was $50.4 million, compared to $51.4 million a year ago. Sequentially, segment revenue was up 10% and exceeded the high end of our guidance. This included SaaS streaming revenue of $14.2 million, which was up 13.1% year over year. Driven by strong execution of our right-sizing actions, the video segment returned to profitability with greater than 10% adjusted EBITDA margin.

In Q3, we secured a refresh project with a Tier 1 service provider using our latest XOS Media Processor, achieving significant space and power saving while improving video quality. Data center efficiencies were a key factor in the decision. We see growing pipeline of similar opportunities as demand for power space and cooling optimization continues, with the new XOS platform consistently delivering these benefits for service providers.

In our SaaS streaming business, we continue to grow the pipeline of Tier 1 opportunities while expanding relationships with our largest existing customers through increased capacity and new services, such as our Server-Side Ad Insertion solution. These opportunities will contribute to our revenue growth in 2025 and beyond.

We've also successfully trialed our new in-stream advertisement solution during live sports events, enabling us to offer this value-add service to our customers and increase their monetization. This aligns with our 2024 IBC presentation in Amsterdam, where we showcased AI-based solutions for automating live sports production and monetization, ideal for lower-tier events. And these tools enable premium broadcast with automated highlights, live captions, multiple languages, and ad insertion without costly labor.

With that, now over to you, Walter, for a deeper discussion of our financial results and outlook.

Walter Jankovic *Harmonic Inc - Chief Financial Officer*

Thanks Nimrod, and thank you all for joining us today.

Before I discuss our quarterly results, as well as our outlook, I'd like to remind everyone the financial results I'll be referring to are provided on a non-GAAP basis. As David mentioned earlier, our Q3 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 third-quarter results included record total company revenue and profitability that exceeded our guidance. Further, we surpassed our revenue guidance for both broadband and video. Broadband revenue was also a record for the quarter. In terms of profitability, our overall company-adjusted EBITDA and EPS were all higher than the top end of our guidance range.

I'll call out some of our third-quarter highlights here on slide 7. For the quarter, we reported total revenue of $195.8 million, a 54% increase quarter over quarter; EPS of $0.26; bookings of $171.4 million; and a book-to-bill of 0.9. At quarter-end, our backlog and deferred revenue was $584.7 million, leaving us well placed for continued growth.

Before we review our third-quarter financials and provide detailed Q4 and full-year 2024 guidance, I want to mention some highlights of our guidance. Regarding broadband, we are reaffirming the midpoint of our prior FY24 revenue guidance and tightening the range to $477 million to $487 million.

As we do each quarter, we closely evaluate the latest customer information, forecasts, and commitments just prior to our earnings call. So this guidance is based on our year-to-date results, as well as our latest available information. At the midpoint of our FY24 broadband revenue guidance, we continue to expect revenue to increase 24% year over year. Additionally, due to our third-quarter broadband EBITDA results and our outlook for the fourth quarter, we have raised our FY24 broadband EBITDA forecast.

Before going further, I'd like to discuss our outlook for 2025 broadband revenue. As Nimrod mentioned earlier, due to the recent market developments around Unified DOCSIS 4.0 and the related ecosystem dependency, including recent customer demand updates, we are seeing some customers pushing out their deployment timing plans, thus creating a short-term broadband revenue headwind in 2025. Hence, we will be revisiting our 2025 broadband revenue growth outlook in the coming months.

However, this is mainly a timing shift, and we expect these potential 2025 deployment delays to create a positive tailwind for us in the future. Our confidence here stems from several factors, including our market-leading position in FDX nodes and early experience with Unified 4.0 technology, the expected growth acceleration of rest-of-market DOCSIS, as well as fiber growth.

With regards to video, we have now completed the restructuring actions that we previously communicated. Based on this and our most recent analysis of this business, we are refining our 2024 video revenue guidance, still within the prior guidance range with a slightly lower midpoint. Specifically related to video EBITDA, we continue to maintain our prior guidance at the midpoint. As a result of the broadband and video guidance, we are raising overall company full-year 2024 EBITDA and EPS at the midpoint of guidance.

Turning back to this quarter's financial results on slide 8, total Q3 revenue was a record $195.8 million, up 54% compared to $127.2 million last year. This was above the top end of the guidance range we provided on our last earnings call.

Looking more closely at broadband, Q3 revenue was $145.3 million, an increase of 92% year over year and again above our previous guidance for the quarter. In video, Q3 revenue was $50.4 million, also above our guidance. Video revenue included SaaS revenue of $14.2 million, up 13.1% year over year and representing 28.1% of segment revenue for the quarter.

Video SaaS revenue growth continues to be driven by live sports streaming, SaaS expansions, and new customer wins. In the third quarter, we had two customers representing greater than 10% of total revenue, with Comcast representing 51% of total revenue and Charter representing 18% of total revenue.

Total company gross margin was 53.7% for Q3 '24, which was above the high end of our guidance range and reflecting better-than-expected video segment gross margin. Broadband gross margin was 48.3% for Q3 '24, up 70 basis points sequentially and up 380 basis points year over year due to product mix. Video gross margin was 69% in Q3 '24, up 1,210 basis points year over year and 460 basis points sequentially, mainly due to a large-scale appliance XOS deal in the quarter, as well as favorable product mix coupled with cost reductions.

Moving down the income statement on slide 9, Q3 '24 operating expenses were $60.5 million, down 3.8% year over year. In the quarter, we also had an unrealized non-cash foreign exchange loss of approximately $4 million as a result of intercompany balances that we don't expect to settle in the short term. This is reflected in our other expense income line of the P&L and in our adjusted EBITDA.

Adjusted EBITDA for Q3 '24 was $43.4 million, also above our guidance, comprised of $37.5 million from broadband and $6 million from video. This all translated into Q3 '24 EPS of $0.26 per share, compared with $0.08 in Q2 '24 and $0.00 per share for Q3 '23. We ended the third quarter of 2024 with a calculated diluted weighted average share count of 117.4 million, compared to 116.7 million in both Q2 '24 and Q3 '23.

Turning to the order book, Q3 bookings were strong at $171.4 million. As I mentioned earlier, the book-to-bill ratio for the quarter was 0.9, compared to 0.5 in Q2 '24 and 0.8 in Q3 '23. The third quarter's 0.9 book-to-bill ratio was due to decreasing order lead times in our broadband business.

As mentioned in our prior earnings call, we've continued working with our larger customers to secure supply based on committed forecasts, resulting in customer orders with shorter lead times. As we've stated previously, over time, we expect our book-to-bill ratio to normalize and approach the historical benchmark of greater than 1.

Turning to the balance sheet on slide 10, we ended Q3 '24 with cash and cash equivalents of $58.2 million. This amount excludes restricted cash of $0.3 million. The quarter-over-quarter change in cash was mainly attributable to positive cash from operations of

$8.7 million related to our higher net income in Q3, net of $2.5 million in cash restructuring costs in the quarter. In Q3, we made no share repurchases.

The free cash flow during the quarter was $5.7 million. We expect our cash balance to increase again in Q4 based on projected collections and timing of material receipts.

Turning to accounts receivable and days sales outstanding, at the end of Q3 '24, DSO was 80, compared to 78 in both Q2 '24 and Q3 '23. The sequential increase was due to the timing of sales in Q3.

Our days inventory on hand was 73 days at the end of Q3 '24, compared to 116 at the end of Q2 '24 and 145 at the end of Q3 '23.

Inventory decreased $10.2 million in the quarter as we continue to shorten days of inventory between receipt and customer shipment and due to the strong sales in Q3. We do expect our inventory to increase in Q4. In terms of capital allocation, when appropriate, we will strategically invest in building inventory as we've done in the past to meet strong demand.

Regarding liquidity, in December 2023, 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. As of today, we have drawn down $115 million on this credit facility.

As mentioned earlier, we did not purchase any of our common stock under our repurchase program during the quarter. To date, we have repurchased $35 million of the $100 million approved under our repurchase program, with $30 million of that in the first half of 2024.

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. Given our strong balance sheet and liquidity resources, we continue to believe that we can opportunistically repurchase shares without impacting our ability to execute our long-term growth plans.

Also, as mentioned on prior earnings calls, we plan to prudently manage our balance sheet by maintaining overall net leverage of around 2 times or less and available liquidity of no less than $100 million going forward.

At the end of Q3, total backlog and deferred revenue was $584.7 million. Our strong backlog continues to demonstrate the demand we're seeing from our large broadband customers and growing video SaaS commitments. Around 55% of our backlog and deferred revenue has customer request dates for shipments of products and for providing services within the next 12 months.

As discussed during our last earnings call 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 with this go-forward strategy, as previously stated, we implemented a restructuring program to achieve cost savings in this business.

These initiatives are now completed. We currently expect total restructuring-related severance costs to be $15.7 million for the 2024 fiscal year, nearly all of which has been recorded as of Q3 year to date. As previously stated, we expect to achieve approximately $18 million in savings in FY24 from these and other actions and approximately $28 million in savings on an annualized basis in FY25. These actions were necessary to better align the video business with our go-forward strategy.

With that, let's now review our non-GAAP guidance for the fourth quarter, beginning on slide 11. For Q4, we expect broadband to deliver revenue between $160 million to $170 million, gross margins between 53% to 54% due to product mix, gross profit between $85 million to $92 million, and adjusted EBITDA between $54 million to $59 million. For the full year 2024, we expect broadband revenue between $477 million to $487 million, gross margins between 49.6% to 50.0%, gross profit between $237 million to $244 million, and adjusted EBITDA between $118 million to $123 million. For broadband, we expect to reach record levels of revenue again in Q4 due to the expected sales momentum we've been seeing in the second half of the year.

For our video segment in Q4, we expect revenue in the range of $45 million to $50 million, gross margin in the range of 64% to 66%, gross profit in the range of $29 million to $33 million, and adjusted EBITDA to range from $2 million to $5 million. For the full year, we expect video revenue between $184 million to $189 million, gross margins between 64.9% to 65.4%, gross profit between $120 million to $124 million, and adjusted EBITDA to range from $1 million to $4 million.

Turning to slide 12, for the fourth quarter of 2024, we expect total company revenue in the range of $205 million to $220 million, gross margin in the range of 55.4% to 56.7%, gross profit to range from $114 million to $125 million, adjusted EBITDA to range from $55 million to $64 million, a weighted average diluted share count of 117.8 million, and EPS to range from $0.33 to $0.39. For the full year 2024, as depicted here, we expect to see full-year 2024 results that are consistent with our year-to-date results and the fourth-quarter guidance that I've already discussed in detail.

The full-year guidance displayed here is also included in our earnings press release. So respecting listeners' time, I will let everyone read this at your convenience rather than read it line by line here.

In summary, our strong third-quarter results reflect the substantial progress we've made this year in executing on our FY24 plan. This enabled us to achieve revenue, EBITDA, and EPS results that surpassed all of our original guidance. We believe our broadband segment continues to be well positioned for future growth. In addition, with the restructuring actions we've taken and the progress that's been made in video, we believe this segment will remain profitable in Q4.

Thank you, everyone, for your attention today. And now, I'll turn it back to Nimrod for final remarks before we open up the call for questions.

Nimrod Ben-Natan *Harmonic Inc - President and CEO*

Thanks, Walter.

In closing, Harmonic delivered another strong quarter, which included record total company results and both broadband and video revenue exceeding our expectations. With our market-leading solutions and strong execution of our business plans, we remain well positioned for continued future growth.

Let's now open the call up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ryan Koontz, Needham & Company.

Ryan Koontz *Needham & Company Inc. - Analyst*

Hi. Thanks for the question, and congrats on the great quarter.

The nice upside in broadband in the September quarter, can you explain -- was that primarily timing that you expected later in the year? And can you have any color you can provide on product mix as that might have been shifting and driving higher margins? Thanks.

Walter Jankovic *Harmonic Inc - Chief Financial Officer*

Hey, Ryan. It's Walter. Thanks for the question.

So first of all, with regards to Q3, obviously, we achieved higher than the expectation we set in terms of our guidance. And that was just based on delivery timing, capability to ship out product to customers. And as you've noted today, we've reaffirmed our full-year guidance at the midpoint for broadband. So this is just a shift, as we had seen it a quarter ago when we were looking at the second half, a little stronger in Q3, maintaining the full year for broadband on the guidance.

To your second question, with regards to Q3 specifically on product mix, so certainly, our products mix shifted slightly, and hence the margin improvement in terms of the gross margins you're seeing in Q3.

Ryan Koontz *Needham & Company Inc. - Analyst*

That's great. Thank you. And if I could do a follow-up, please. In terms of the kind of characterization of your Tier 1 customer deployments, what kind of color can you provide on how those have changed, excluding Comcast, which is obviously in a strong growth mode? It looks like substantially all of your growth was coming out of the Americas segment. Any commentary you can make around some of the Americas Tier 1s moving into deployment mode?

Nimrod Ben-Natan *Harmonic Inc - President and CEO*

Well, we cannot mention specific customers. We indicated the percentage of business with both Comcast and Charter in the opening remarks. As far as other customers, there is certainly momentum of new kind of growing pipeline and more customers in that market segment. We indicated a number of new logos that we won this quarter, and our expectation is that this will continue into the fourth quarter and beyond.

Ryan Koontz *Needham & Company Inc. - Analyst*

Great. And any further color you can provide on your comments around '25? It sounds like there could be some stalling of growth in broadband as customers evaluate Unified.

Walter Jankovic *Harmonic Inc - Chief Financial Officer*

Yes. That's correct, Ryan. In terms of the Unified transition, as Nimrod mentioned in the prepared remarks and I commented on for FY25, it's premature at this stage for us to provide anything specific in terms of growth ranges for next year. However, based on the Unified transition, based on what we're seeing from customer demand recently, that's the indicator in terms of next year.

And so at this point, we're not prepared to provide a number for next year or a range for next year. We're looking at various scenarios right now in terms of what that business is going to look like and obviously working with customers to bring together their budgets and work with them as they set their firm plans for 2025.

Ryan Koontz *Needham & Company Inc. - Analyst*

Okay. So I assume, Walter, for some of these larger customers that go into a reevaluation mode, there could be multiple quarters of impact there in terms of their deployment plans versus previous?

Walter Jankovic *Harmonic Inc - Chief Financial Officer*

Yeah, we could see timing. This is all a timing delay in terms of expectations. As Nimrod mentioned in the prepared remarks, this move to Unified is actually very positive for us from a market leadership standpoint, the opportunity to even gain more share at the node level. And I think that's the strong point in terms of the mid to the long term.

I think in the short term, that's a potential challenge for us as we see customers reconsider their deployment plans, the deployment timing. And therefore, as we look at next year, we are being cautious about the expectation for FY25. And we'll be working on that as we sit down with customers and go through more detail in terms of their plans.

Nimrod Ben-Natan *Harmonic Inc - President and CEO*

And I think it's important to add two important factors. Number one, the urgency for customers to upgrade the network has never been stronger. In the competitive environment that they have, we think that they will do everything possible to move forward as quickly as they can. That's one thing.

The other thing is that competitively, as I mentioned in the opening remarks, we feel very stronger than ever, I would say, and with Unified even stronger than that because Unified has the full duplex plus the extended spectrum, and we're leading the full duplex in the market. So we feel very comfortable with that. At the same time, as we said, we certainly see that somewhat being delayed.

Ryan Koontz *Needham & Company Inc. - Analyst*

Understood. Thank you both.

Operator

Steven Frankel, Rosenblatt Securities.

Steven Frankel *Rosenblatt Securities, Inc. - Analyst*

Good afternoon. I'll take another crack at the same question.

If we step back over the last year, one of the big questions has been, when will somebody other than your two largest customers really get going? So when you talk about this caution around the availability of Unified solutions potentially slowing down growth in 2025, are you implying that that affects everybody? Or is this caution around the notion that the other customers that have been anxious to get going may not be able to run as fast because of the lack of availability of Unified parts?

Nimrod Ben-Natan *Harmonic Inc - President and CEO*

So I think it's a combination of the two. And if to be specific, we talked about ecosystem integration requirements, as well as a new Unified RF front end. So when you think about new customers that now can consider the Unified, and previously they could not, even if we had a deal in the making, many of them are asking to get kind of the details of what would it take for them to go Unified.

So that by itself is kind of causing a delay. They want to look at the economics of that. They want to look at the technology. This is the dozen requests that we got for evaluation. So I think that's kind of the second part of that that I mentioned.

Steven Frankel *Rosenblatt Securities, Inc. - Analyst*

Okay. And then kind of on a related factor, are you also implying that maybe at the same time we're seeing a shift for people to kind of go full force on DOCSIS 4.0 rather than what it seemed to be before, which was you had a group of customers that seemed content with doing 3.1 first?

Nimrod Ben-Natan *Harmonic Inc - President and CEO*

That's exactly right. Until literally six weeks ago, the Unified was limited to a small community of operators. Now, it's available to everybody. When I say everybody, some of them were considering -- well, some of them were on the sidelines because they were kind of desperate to do something, but DOCSIS 4.0 was undecided. There is full duplex. There is extended spectrum. And they did not even have access to the technology.

With Unified, and Unified becoming available for all, that solved that problem for them. And they certainly -- historically, they always liked to -- the cable industry is known for doing -- kind of enjoying economy of scale of one specification that everybody's using. That's true, by the way, also for the cable modems that they are using. So there is definitely a group of operators that either didn't do anything or were down the path of doing 3.1 that now are saying, well, what does it mean to do Unified? And this is really real-time discussions that we have.

Steven Frankel *Rosenblatt Securities, Inc. - Analyst*

All right. Thank you so much.

Operator

Tim Savageaux, Northland Capital Markets.

Tim Savageaux ***Northland Securities - Analyst***

Good afternoon. I want to kind of stay on that topic. I think last quarter, you had talked about the expectation for broadband revenues to accelerate from '24 growth rates into '25. I gather that's no longer the case. And I guess my question is, could broadband revenues decline in '25?

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

So I'll take that, Tim. It's Walter.

With regards to the prior comments that we had in the earnings call slides and that we had commented on during these earnings calls, yes, that no longer applies in terms of broadband growth accelerating further in '25 based on the growth rate exceeding the growth rate of FY24, which right now at the midpoint is 24%. So we've taken that out of the slides because of the situation that we've described this afternoon in terms of the Unified technology, as well as what we've seen in terms of customer demands.

So as I mentioned earlier in the response to the prior question, right now, we're looking at a whole number of plans with customers. It's premature for us to give any specific revenue guidance for FY25 as we assess this for the next couple of months with customers.

And to your point on what could it look like in terms of the most conservative, the only thing that I'll say based on doing some very conservative type of modeling and reviewing some scenarios in terms of very conservative scenarios is that we still expect our FY25 total company EPS to be above where it is today in terms of our guidance for FY24 EPS at the midpoint. But that is based on the most conservative scenario that we're looking at. But it's just too premature to provide any type of guidance range around FY25.

Tim Savageaux ***Northland Securities - Analyst***

Okay. And maybe this is relevant to that last comment about EPS growth in a worst-case scenario, if I may summarize, and that is on gross margin guidance, especially for Q4 in broadband. I assume that envisions a pretty significant uptick on the head-end side with routers driving those margins into the 50s.

Is that -- well, are there any other drivers, I guess? Would you view that as kind of anomalous and expect a return to the high 40s after this very strong kind of quarter exiting year? Or how would you describe that gross margin outlook for broadband in Q4?

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

Yeah. For Q4, I can comment on the broadband margins. It's due to the product mix. cOS, specifically in Q4, that's what drives up the margin. With regards to FY25, too premature to provide any more specific guidance around the gross margins, considering we've got to look at all of the customer mix and what that's going to equate to in terms of the product mix for FY25.

Nimrod Ben-Natan ***Harmonic Inc - President and CEO***

But the uptick itself is something unique to Q4. We don't expect to stay at that level.

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

Yeah, that's what -- yeah, exactly.

Tim Savageaux ***Northland Securities - Analyst***

Great. Appreciate that color. Last one for me in terms of kind of the diversification of the business. In the short term, it seems like you're going the opposite way. I'm just making sure I'm looking at this the right way.

But as you look at kind of the broadband business, it seems like your two top guys are contributing something in excess of 80%, which is higher than it's been earlier this year. And I know perhaps you expected that ramp with these guys in the second half, but that would put your, quote, unquote, other customers sequentially down from an absolute dollar perspective. Is that something you expected?

Walter Jankovic *Harmonic Inc - Chief Financial Officer*

First of all, yeah, Tim, so when we provided our guidance last quarter and had the call, we specifically said that our expectation of the top two was going to be significant for this quarter, and then we would see it start coming down over time. So it was not unexpected.

I'm not going to confirm specific. You've done some math here just looking at broadband. You've got the metrics that we quoted here in terms of total company for the top two customers, so you have that metric already. And so it really isn't anything that we didn't expect.

And in terms of our rest of market or the non-top two customers, Nimrod highlighted earlier the number of customer wins we had in Q3. That's picking up momentum quarter over quarter in terms of wins. In terms of expectations moving forward, we expect the revenue for rest of world or the non-top two customers to increase in the fourth quarter.

Tim Savageaux *Northland Securities - Analyst*

Okay. Thanks very much.

Operator

Simon Leopold, Raymond James.

Simon Leopold *Raymond James - Analyst*

Yeah. Just maybe to follow up on Tim's question in terms of the customer concentration, what are you assuming for scenarios for other customers? So I think you've disclosed Comcast and Charter for this quarter. How do you see the mix specifically in what's implied in the fourth quarter? And then, what are your expectations for concentration as you look out to the longer term, specifically other customers besides Comcast and Charter?

Walter Jankovic *Harmonic Inc - Chief Financial Officer*

Yeah, certainly, Simon. So definitely in Q4, expectation is that the concentration of the top two will be less in that the other non-top two customers are growing. That is our expectation for Q4.

As I've said on prior calls, as we look forward, and obviously we're still reassessing now all of 2025, we continue to see rest of world growing in terms of the number of customers and the revenue. And therefore, the concentration metric will reduce on the top two customers as compared to the rest of the market. So that is an expectation we have going forward. It's no different than the expectation we had previously. However, we're still rolling through our 2025 to look at overall customer mix.

Simon Leopold *Raymond James - Analyst*

And I guess in terms of the delays due to Unified, one of the things I'm a little bit puzzled by is, I think, at the cable show, it sounded like the full duplex amplifiers are now shipping. So I assume, and I'm wondering if this is a safe assumption, that Comcast is basically moving ahead unencumbered because it had been waiting for full duplex. Full duplex is now available. So it sounds to me that they shouldn't be part of the delay, and I'm just trying to get a little bit of clarification around that idea.

Nimrod Ben-Natan ***Harmonic Inc - President and CEO***

So we cannot comment specifically on Comcast. What we can say, and this is a question you guys had last quarter as far as the dependency that we have on amplifiers, and we indicated that in '24 and certainly into the first part of '25, there is enough of what's called the fiber deep markets that do not require amplifiers. As we go beyond that -- and again, we cannot comment on availability of amplifiers -- but what we can say that at some point we are, and we said that before, dependent in availability and kind of level of maturity of amplifiers -- FDX amplifiers.

Simon Leopold ***Raymond James - Analyst***

Okay. And then just to try to come back to the video segment briefly, that segment seems to have been weighed down by some macro factors that caused some hesitancy by that group of customers. Just if you can give us some update on how you're seeing customer behavior in the pipeline in that line of business. And that's all I had. Thank you.

Nimrod Ben-Natan ***Harmonic Inc - President and CEO***

There is no, I would say, material change. I think we are going, as we said, after refresh opportunities where aging equipment is up for kind of refresh, whether it's a space power, video quality, things like that. And I think we get kind of our fair share and sometimes more on that.

And on the streaming side, we're focusing on Tier 1 opportunities and growing our existing largest opportunities. This is where our strategy is right now. I totally agree with you that the segment at large is definitely being challenged.

Simon Leopold ***Raymond James - Analyst***

Thank you very much.

Operator

(Operator Instructions) George Notter, Jefferies.

George Notter ***Jefferies - Analyst***

Hi, guys. Thanks a lot. I appreciate it. You said, I think, ecosystem challenges was part of the issue here, as well as the Unified transition. When you say ecosystem challenges, what exactly was that about?

Nimrod Ben-Natan ***Harmonic Inc - President and CEO***

So one example is -- and again, that was the feedback I just gave on our dependency on amplifiers -- we can ship and deploy FDX nodes to a point. And at some point, we will be in -- and last time, we said that sometime in '25, we will be dependent on amplifiers. So this is something you can understand as ecosystem dependency.

George Notter ***Jefferies - Analyst***

Got it. Okay. And I assume integration of the cOS product with cable operator back-office networks, is that is that still an issue? Is that part of the ecosystem comment or not?

Nimrod Ben-Natan ***Harmonic Inc - President and CEO***

Not really.

George Notter *Jefferies - Analyst*

Okay. Super. Thanks very much. I appreciate it.

Operator

Thank you. I would now like to turn the call back over to Nimrod Ben-Natan for any closing remarks.

Nimrod Ben-Natan *Harmonic Inc - President and CEO*

We appreciate your continued interest in Harmonic and look forward to updating you on our progress in the future. Thank you all for joining the call. Have a good day.

Operator

Thank you. This concludes the conference. Thank you for your participation. You may now disconnect.

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