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CORPORATE PARTICIPANTS

Jeremy Rosenberg *Harmonic Inc. - Interim CFO & Senior VP of Business Development*
Patrick J. Harshman *Harmonic Inc. - President, CEO & Director*
Scott Eckstein

CONFERENCE CALL PARTICIPANTS

George Charles Notter *Jefferies LLC, Research Division - MD & Equity Research Analyst*
Ryan Boyer Koontz *Needham & Company, LLC, Research Division - MD & Senior Analyst*
Simon Matthew Leopold *Raymond James & Associates, Inc., Research Division - Research Analyst*
Steven Bruce Frankel *Rosenblatt Securities Inc., Research Division - Senior Analyst*
Timothy Patrick Long *Barclays Bank PLC, Research Division - MD and Senior Technology Hardware & Networking Analyst*
Timothy Paul Savageaux *Northland Capital Markets, Research Division - MD & Senior Research Analyst*

PRESENTATION

Operator

Welcome to the Q1 2023 Harmonic Earnings Conference Call. My name is Latif, and I will be your operator for today's call. (Operator Instructions) Please note that this conference call is being recorded. I will now turn the call over to [Scott Eckstein], Investor Relations. Scott, you may begin.

Scott Eckstein

Thank you, operator. Hello, everyone, and thank you for joining us today for Harmonic's first quarter 2023 financial results conference call. With me today are Patrick Harshman, President and Chief Executive Officer; and Jeremy Rosenberg, Interim 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 the 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 large statistical information regarding our business and operations. 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 J. Harshman ***Harmonic Inc. - President, CEO & Director***

Thanks, Scott, and welcome, everyone, to our first quarter call. In the first quarter, Harmonic delivered another period of excellent results. Revenue was $157.6 million, EPS was $0.12 and adjusted EBITDA margin was 14%. Our Broadband segment revenue grew 23% year-over-year, and our radio SaaS revenue was up 72% for the same period, and both segments had booked a bill greater than 1. Strong demand for our products and services was further evidenced by strategic multiyear contracts signed for both CableOS and Video SaaS during the quarter. These new contracts, overall demand trends and the competitive success we're seeing gives us continued confidence in our ability to deliver on our full year 2023 and previously stated multiyear growth objectives.

Taking next a closer look first at our Broadband segment; it was another excellent quarter characterized by strong financial growth, promising market development and expanding technology leadership. Segment revenue was $100.4 million, up 23% year-over-year. Adjusted segment EBITDA margin was 21.5%, demonstrating consistently improving operating leverage. New customer wins brought the total number of broadband operators deploying our solution to 94, up 22% year-over-year. At quarter end, our CableOS deployments expanded to serve 18.4 million cable modems worldwide, still only approximately 10% of the global cable modem footprint.

Looking ahead, we see expanding opportunity associated with both the remaining 90% of this global cable footprint for distributed DOCSIS 3.1 and follow-on investment waves associated with DOCSIS 4.0, fiber-to-the-home and network expansions. Breaking this down a little further, our 2023 growth expectations remain centered around our existing customers who continue to reaffirm and execute through advanced DOCSIS 3. and distributed access deployment plans across their networks. Looking a little further ahead, engagements with prospective new accounts are increasingly encouraging, aided by the visible success of our current customers and accelerating industry recognition of the unique market-leading benefits of our solution.

Notably, during the quarter, we announced our partnership with Charter, and we're very excited to contribute to their new network evolution, footprint expansion and operational efficiency initiatives. We're also excited about the progress we continue to make with our new DOCSIS 4.0 and fiber solutions, important contributors to our multiyear growth plan. In the DOCSIS 4.0 area, our technology is out in front, and we're actively supporting our customers with advanced demonstrations and trials. In the fiber area, our unique cloud native vBNG and remote PON solution continues to gain traction with both new and existing customers. The new orders and sales pipeline are growing in line with our 2025 fiber growth target.

I'll conclude this broadband update by reminding you of our overall 2025 financial targets, over $825 million in revenue and over 28% EBITDA margin. The combination of our existing customers have already begun multiyear deployment programs, new customers we expect to begin scaling in 2024, and our increasingly strong competitive position across both cable and fiber, all give us high confidence in delivering on these 2025 targets and building an even stronger broadband business that will drive profitable growth for years to come.

Now turning now to our Video segment; here also, we delivered a solid quarter. First quarter segment revenue was $57.3 million. Although the top line was down, gross margin was 60.4%, up 160 basis points year-over-year, reflecting a continued shift to software, reduced low-margin server sales and especially continued SaaS transformation and growth. SaaS revenue was up over 72% year-over-year, exceeding 20% of total segment revenue for the first time. The strong streaming SaaS growth was primarily driven by existing media accounts expanding their live sports content rights and consumer reach, resulting in growing consumption of our services.

A second significant highlight of the quarter was several new SaaS contracts with major media players that will begin to contribute recurring SaaS revenue in the coming periods. Among these were greater than $10 million expansion with an existing sports streaming customer and a greater than $20 million contract with a historically appliance-based broadcaster who's flipping the majority of their traditional operations to our SaaS. Associated with the April industry NAB event in Las Vegas, we recently made several announcements that highlight our growing leadership and success in live sports, streaming and dynamic service monetization.

On the customer front, we announced very exciting relationships with Madison Square Garden, Bally's Interactive and VertiCast. On the technology and services front, we announced significant new SaaS technology advancements and ecosystem partnerships for dynamic ad insertion and fast channel creation. We're capping our video business strategy. We're focused on taking a leading position in the growing streaming SaaS market, particularly for live sports and maximizing profit from the traditional video [clients] market with a financial focus on recurring revenue, gross profit and EBITDA.

The first quarter results were financial and strategic, demonstrate that we continue to make excellent progress towards these objectives. In fact, we're increasing our internal streaming SaaS forecast for 2023, and we remain highly confident in the 2025 business transformation, SaaS revenue growth and composite EBITDA targets we previously shared with you.

With that, I'll now turn it over to you, Jeremy for further discussion of our financial results and our outlook.

Jeremy Rosenberg ***Harmonic Inc. - Interim CFO & Senior VP of Business Development***

Thanks, Patrick, and thank you all for joining us today. Before discussing our quarterly results as well as our outlook, we remind everyone that the financial results being referred to are provided on a non-GAAP basis. As Scott 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. We delivered another quarter of strong financial results, highlighted by record first quarter revenue and solid operating profit.

We ended the quarter with a solid balance sheet as well as record backlog and deferred revenue, positioning us well for continued growth in 2023 and into 2024. Before reviewing our Q1 2023 financials in more detail, let's briefly review the key highlights here on slide 7. For the quarter, we reported record revenue of $157.6 million, with EPS of $0.12, record bookings of $325.5 million and record backlog and deferred revenue of $623.5 million. Now let's review our first quarter financials in detail. Turning to slide 8; again, total Q1 revenue was $157.6 million, up 6.9% on a year-over-year basis.

Looking first at our broadband segment, Q1 revenue was $100.4 million, up 4.5% sequentially and 23% year-over-year, reflecting continued current customer ramp-up and newer customer launches, including modest fiber revenue generated during the quarter. In our Video segment, we reported Q1 revenue of $57.3 million, down 16.1% sequentially and 13% year-over-year. Our video revenue included SaaS revenue of $11.6 million, up 72% from the prior year, which was ahead of our expectations. We had one customer representing greater than 10% of total revenue during the quarter with Comcast representing 47% of total revenue, which was similar to last quarter.

Total company gross margin was 53.9% for Q1 '23, up 120 basis points sequentially and 660 basis points year-over-year, reflecting increased gross margins in both of our business segments. Broadband gross margin was 50.1% for Q1 '23, up 250 basis points sequentially and 1,210 basis points year-over-year. This improvement was due mainly to a very favorable product and services mix and to a lesser extent, our strategic inventory investments to enable seafreight versus airfreight. Video segment gross margin was 60.4% in Q1 '23, up 50 basis points sequentially and 160 basis points year-over-year. This was primarily due to SaaS continuing to scale.

Moving down the income statement on slide 9; Q1 '23 operating expenses were $66.2 million, up by 0.2% sequentially and 13.4% year-over-year. The increases were primarily due to increased research and development to support the growth of our broadband business and the ongoing strategic transition of the Video segment to SaaS. Adjusted EBITDA for Q1 '23 was $21.4 million or 13.6% of revenue, up 48.3% versus Q1 '22, comprised of $21.6 million from broadband representing 21.5% of segment revenue and a loss of $0.2 million from video. This all translated into Q1 '23 EPS of $0.12 per share compared to $0.17 per share in Q4 '22 and $0.08 per share for Q1 '22.

We ended the first quarter of 2023 with a calculated diluted weighted average share count of $117.8 million compared to $117.3 million in Q4 '22 and $110.6 million in Q1 '22. The year-over-year increase was primarily due to the issuance of shares for settlement of the premium for convertible debt conversions upon maturity in December '22, and the issuance of shares to employees for vested restricted stock units, ESPP purchases and performance-based compensation. Turning now to the order book; we reported record bookings of $325.5 million.

The book-to-bill ratio was 2.1% for the first quarter. For Q4 '22 and Q1 '22, our book-to-bill ratios were 0.8% and 1.4%, respectively. Q1 bookings include particularly strong multiyear SaaS bookings and new CableOS commitments. Over time, as supply chain conditions improve, we expect this ratio to normalize and approach the historical benchmark of modestly greater than 1. Turning to the balance sheet on slide 10; we ended Q1 '23 with cash of $90.9 million compared to $89.6 million at the end of Q4 '22.The net $1.3 million sequential increase was due to a variety of factors, including improved DSO.

We generated $6.3 million cash from operations, net of investing $10.5 million in inventory. Increased inventory has, by design, enabled us to meet strong demand for our products and to proactively manage our supply chain, enhance product availability and provide us with flexibility to use a higher proportion of ocean freight over airfreight, resulting in improved gross margin. As noted earlier, these investments helped drive the gross margin expansion we reported for the quarter. We also used $2.3 million of cash in the purchase of fixed assets.

Turning to days sales outstanding; at the end of Q1 '23, DSO was 50 compared to 59 the previous quarter and 71 in the prior year period. Days inventory on hand was 163 days at the end of Q1 '23, up 16.4% compared to the end of Q4 '22 and up over 71.6% compared to the end of Q1 '22. The increase reflects our continued proactive investment in inventory as we prepare for growth during the rest of '23 and into 2024. Regarding capital allocation, our top priority remains driving our future growth. As such, we will continue to strategically invest in building inventory to meet the strong demand that we're seeing.

We continue to enjoy considerable success by employing this strategy. However, if the supply chain situation improved substantially, as we've stated previously, we do have the flexibility to manage our working capital differently and generate additional cash by maintaining somewhat lower inventory levels. At the same time, our capital allocation strategy also takes into account our ability to return capital to our shareholders through stock repurchases. Again, as we stated previously, the timing and amount of any repurchases will depend on a variety of factors, including the price of Harmonic's common stock, market conditions, corporate needs and regulatory requirements.

At the end of Q1, total backlog and deferred revenue was $623.5 million. This record backlog and deferred revenue reflects strong demand from our large broadband customers and growing video SaaS commitments. The majority of our backlog and deferred revenue has customer request dates for shipments of products and providing services within the next 12 months. Please note that we are now guiding to majority within 12 months rather than our historical 80% guide. This change also reflects the timing of some commitments with greater than 12 months with scheduling in process.

In summary, operating cash flow was solid in Q1 '23, taking into consideration our stated capital allocation strategy, whereby we invested our free cash into inventory to meet the persistent demand we're seeing from our customers and to support our continued growth and managing freight. Let's now review our revised non-GAAP guidance for 2023, beginning on slide 11. For total company, for the full year 2023, we expect revenue in the range of $705 million to $740 million, up $8 million at the midpoint from prior guidance; gross margin in the range of 50.9% to 51.9%, an increase versus prior guidance; operating expenses to range from $262 million to $271 million, a slight increase versus prior guidance; adjusted EBITDA to range from $108 million to $125 million, up $7 million at the midpoint from our previous guidance.

An effective tax rate of 20%, up from 13% last year as we exhausted our NOLs in the past year. A weighted average diluted share count of approximately $118.1 million. Please note that the convertible debt-related dilution included in our share count uses the Q1 average stock price of $13.79. EPS to range from $0.63 to $0.74 per share, subject to the just mentioned dilution calculation, up $0.05 at the midpoint from previous guidance. And cash at the end of 2023 is expected to come in between 125 and $135 million.

For total company for the second quarter of 2023 on slide 12, we expect revenue in the range of $161 million to $171 million. Gross margin in the range of 51.8% to 52.9%, operating expenses to range from $66 million to $68 million, adjusted EBITDA to range from $20 million to $25 million, an effective tax rate of 20%, a weighted average diluted share count of approximately $117.8 million and EPS to range from $0.11 to $0.15 and cash to range from $90 million to $100 million. Turning to slide 13; for the full year 2023, based on our progress to-date and the latest customer information, we expect broadband to achieve revenue between $450 million to $470 million, which is $5 million above prior guidance at the midpoint.

Gross margins between 46% to 47%, a 100 basis point improvement over previous guidance, given our expectations for software-hardware mix. Operating expenses between $123 million to $128 million, up slightly from our previous guidance based on supporting increased customer activity and adjusted EBITDA between $90 million to $99 million. For our Broadband segment, in Q2, we expect revenue in the range of $101 million to $106 million, gross margin in the range of 47% to 48%, operating expenses in the range of $31 million to $32 million and adjusted EBITDA to range from $18 million to $20 million.

Now on slide 14, let's review the full year 2023 Video segment guidance. We expect revenue in the range of $255 million to $270 million, up $2.5 million at the midpoint from previous guidance; gross margins in the range of 59.5% to 60.5%; operating expenses in the range of $139 million to $143 million, down slightly and adjusted EBITDA in the range of $18 million to $26 million. For our Video segment, in Q2, we expect revenue in the range of $60 million to $65 million, gross margin in the range of 60% to 61%, operating expenses in the range of $35 million to $36 million and adjusted EBITDA to range from $2 million to $5 million.

In summary, during the first quarter, we continue to execute our strategic plans and drive strong growth in our broadband segment while advancing the planned transformation of our Video segment. We ended the first quarter with record backlog and deferred revenue. We believe this and the strong demand we continue to see from both new and existing customers positions us well for the rest of 2023 and into 2024 as we continue to execute on our long-term business plan.

Thank you, everyone, for your attention today. And now let's turn back to Patrick for final remarks before we open up the call for questions.

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

Well, thank you, Jeremy. In summary, we delivered another very strong quarter, characterized by excellent financial results, significant new contracts and important new customer relationships in both the broadband and video sides of the house. Our technology, our customer relationships and our team all continue to lead the markets we serve. We see great opportunity ahead and remain determined and confident in taking full advantage of these opportunities in 2023, '24 through '25 and beyond.

Thank you for your continued support. And with that, let's now open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Simon Leopold of Raymond James.

Simon Matthew Leopold ***Raymond James & Associates, Inc., Research Division - Research Analyst***

So in March, you announced the Charter award, which we've all been keeping our fingers crossed waiting for. But what struck me was it specifically talks about the virtual CMTS products and does not discuss other products, such as the DAA nodes. Given the revenue forecast, I'm sort of assuming your intent is to sell them -- DAA nodes as well and not simply the CableOS head-end solutions. But if we could get a little bit more color on the composition of that project and the timing, I'd appreciate it.

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

Well, it's a little awkward Simon. It's -- we can't go there and talk in any specificity about any particular customer's plans. The communication that we agreed and that you saw with Charter was intended to really speak to the partnership around the broad portfolio with the capabilities that Harmonic brings to bear. Certainly, our virtualized core is essential to our solution and hence, the specific mention of that.

I would say in any engagement that we're involved in worldwide, we see strong interest and opportunity around both the centralized core software as well as the hardware elements of the solution. And so without implying anything too specific about Charter, just kind of -- it's actually (inaudible) that we would pursue hardware-related business, with Charter just like we would within the other customer.

Simon Matthew Leopold ***Raymond James & Associates, Inc., Research Division - Research Analyst***

And then just as a follow-up. The forecast for the Broadband segment suggests a pretty heavy back-end load to the year, given that the first half of the year is just a little over $200 million, and even your low end is $450 million for the full year. How should we think about that? Is it a very back-end loaded sort of 4Q or is the third quarter sort of somewhere in between the 3Q, 4Q guide? How do we think about it given sort of trying to figure out where that revenue is coming from and the timing?

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

Yeah. Look, every one of our customers is actually still scaling. So the overall theme is continued growth. I'd stop short of saying it's linear but we expect Q3 to be up and we expect Q4 to be up on top of that. And that's based on the aggregate continuing deployment plans of our global customer base.

Operator

Our next question comes from the line of Ryan Koontz of Needham & Company.

Ryan Boyer Koontz ***Needham & Company, LLC, Research Division - MD & Senior Analyst***

Nice work on the gross margin there moving up and great bookings number, obviously. I wanted to ask -- I'm sure you're not going to respond so much quantatively but can you help us understand the software contribution there in terms of the quarter? Bookings, I assume with the shift in long-term deferred, there's a stronger software contribution there as well. Maybe shed some light on that would be helpful.

Jeremy Rosenberg ***Harmonic Inc. - Interim CFO & Senior VP of Business Development***

Ryan, Jeremy here. Thanks for the question. And in our results, we absolutely did get a strong software mix. And in our -- and that did push the margins up and that's, as you well appreciate sometimes the timing on how those things happen. We've really taken a systems approach to how we sell, as you know, as between software and hardware. So we are not breaking out software and hardware in the backlog, Ryan.

Ryan Boyer Koontz ***Needham & Company, LLC, Research Division - MD & Senior Analyst***

Sure, sure. Okay. And then maybe if you could reflect on the non-Comcast revenue. You've had just a tremendous run there. How should investors think about the scale of the non-Comcast revenue forward here in the guide? Do you think we'll start to see some meaningful growth there as we go through the year?

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

The short answer is yes. Comcast is the largest cable operator in the planet, and they're also furthest ahead. So it's not surprising to see them out front. But in aggregate, the rest of the market is much larger. And our competitive position with the rest of the market is growing increasingly strong. So over time, while we're excited about the work we still have ahead of us with Comcast, the -- just the math of the rest of the markets is that the rest of the market will increasingly be a larger and larger portion of the business that we're seeing, we believe.

Operator

Our next question comes from the line of Steven Frankel of Rosenblatt.

Steven Bruce Frankel ***Rosenblatt Securities Inc., Research Division - Senior Analyst***

With the theme from the last couple of questions going back to the last call, I think there was some color that you guys gave around the fact that there were three or four Tier 1s that were very early in their deployment phase, and you had anticipated that they would be scaling up between now and the -- between now and the end of the year. Is that still the case or did any of those customers' plans get pushed out?

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

It's still the case. There's no material change in terms of the expectations or the forecast that we had for a bunch of them.

Steven Bruce Frankel ***Rosenblatt Securities Inc., Research Division - Senior Analyst***

Okay. And you mentioned an interesting case in the video business, although legacy appliance customer switching to broadband. Maybe -- I'm sorry, switching to your cloud-based offerings in SaaS. Maybe walk us through the economics of that kind of transition? And do you think this is something that will become fairly commonplace in your customer base over the next couple of years?

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

So I'll start with the end of the question. I mean the short answer is yes. I think that the -- from both a technology perspective and from an economics or business model perspective, I think that the broadcast market has been kind of very much on the learning curve, understanding how to harness cloud. But I think there's no question that it's not really a question of if, but when. The economics, both from a cost perspective as well as from a flexibility and innovation perspective, from a personalization perspective, it's -- there's overwhelming advantages that are, I think, increasingly understood by the market, Steve. So if you go back to the Analyst Day that we did in September, we talked about streaming sports is perhaps the largest opportunity, but we also highlighted conversion of traditional broadcast infrastructure is another significant SaaS opportunity. And it's great to see the first -- from our perspective, the first major domino there to fall, if you will in that regard.

Steven Bruce Frankel ***Rosenblatt Securities Inc., Research Division - Senior Analyst***

Great. And then lastly, maybe an update on the CFO search.

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

The headline is it's going well. Jeremy has a big smile. Yeah. So we're fortunate. We're having discussions with a number of really excellent candidates. And I can't give you a specific date, but we're making good progress, and I think that we'll have a world-class CFO on board in the not-too-distant future.

Operator

Our next question comes from the line of Tim Long of Barclays.

Timothy Patrick Long ***Barclays Bank PLC, Research Division - MD and Senior Technology Hardware & Networking Analyst***

Two, if I could. First, on the video side, Patrick, can you talk a little bit more about kind of the SaaS wins you guys are getting? You mentioned live sports a few times, but can you talk a little bit about the complexion of those wins, how broad-based they are? Are these kind of competitive wins or is it folks maybe we're looking to do it themselves or just any color you can give us there? And then you also mentioned fiber-to-the-home going well according to plan. Can you just give us an update there on how your customers are looking at that portfolio and how you see the ramp going?

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

Okay. Thanks both good questions, Tim. On the SaaS front, really, it's all of the above. As I reflect on our -- perhaps our top 10 SaaS customers, they really come from all the categories we've previously spoken about. I would say, in general, they are all competitive with either our traditional competitors or, as you say, with in-house. One of our top three customers, for example, is the first time they've gone outside. They do their own VOD stuff themselves, which is a somewhat easier technical problem, but they turn to us for the live sports.

Other recent wins were very much competitive situations with other peer companies, competitive companies like us who are providing a more turnkey cloud-based SaaS offering. And as we touched on a couple of moments ago, from another dimension, the customers also span media companies that are new to us, maybe new brands out there all the way to traditional brands that you and I know for the last 30 years that are changing their approach and their philosophy on infrastructure and moving from a traditional appliances to SaaS. So it's really all of the above. And it's -- we previously described it as a fragmented market.

I'm impressed with the way our team is increasingly sales and marketing is getting after it, kind of covering the market from all different dimensions to get engaged with these myriad kinds of opportunities. On the fiber side, I think fiber is becoming increasingly relevant for all participants in the market. Home-based for us is really the cable operators and there is increasing competitive pressure in certain markets from fiber-based competitors. And having a fiber offering is part of the arsenal, particularly on what we call brownfield is -- seems increasingly important to the (inaudible) customer strategic plans. And our solution seems to be a perfect fit for that kind of application where we really layer on top of the CableOS cloud-native core and the already distributed gigabit access point (inaudible) called note.

Operator

(Operator Instructions) Our next question comes from the line of Tim Savageaux of Northland Capital Markets.

Timothy Paul Savageaux ***Northland Capital Markets, Research Division - MD & Senior Research Analyst***

And good afternoon, and congrats on the crazy bookings number. And I'll ask about that in a moment. But I wanted to touch on, I think, this maybe kind of a new metric you've given us here about your cable modems serve representing 10% of the global footprint, is that 10% of cable broadband subscribers globally? And I guess, historically, you talked about the footprint of your wins, which you added to substantially. I mean I assume that's up to 130 million now, so or something like that in terms of homes passed, but that's a different metric than the subscriber metric that you gave us. So I think in both cases, it suggests you're still pretty early on, whether it's 10% of the subscriber footprint or what looks to me to be 14% of your win -- homes passed. But how should we look at either or both of those metrics and kind of assessing where you are in the cycle? And I want to follow-up on that.

Jeremy Rosenberg ***Harmonic Inc. - Interim CFO & Senior VP of Business Development***

Tim, I'm going to pick this one up. Great question, as always. So if you go back to our Investor Day, I think we did talk about the size of the TAM, maybe not so much on the quarterly calls. And when we look outside of China, it's about 190 million households for high-speed data for our architecture. So that is a TAM reference for us. And to your question about how far along, I think, as Patrick laid out, we're at about the 10% mark for DOCSIS 3.1. And as we laid out in September, you have a DOCSIS 4.0 way that is coming up. And then you also have a fiber way and then multiple speeds of fiber from that. So we see ourselves still as very -- in very early exciting days here, Tim. And look forward to your follow-up question.

Timothy Paul Savageaux ***Northland Capital Markets, Research Division - MD & Senior Research Analyst***

Well, specifically with your largest customer, they had talked about basically being at a 20% kind of complete with the upgrade of the footprint by year-end and moving over 30% by the end of the year, this year, which seems like a long way to go, but does that represent -- is that similar to the cadence that you've seen, say, last year? Does that represent an acceleration or it seems with those type of metrics, obviously, Charter is trying to do this a lot faster. I guess we'll see about that. But it seems like you've still got a ways to go with Comcast in particular, even though they've been going for a while. Any color on that front would be appreciated.

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

Look, I mean I think we're fortunate, we're all fortunate that Comcast has been pretty open at recent industry conferences, etcetera, and talking about their progress and their plans. I think we don't really have anything more to add to that, but their plans, I think, really have laid out that they've talked about publicly, and laid out there, they're multiyear ambitions and both their continuing commitment to what they're doing and indeed to the fact that they're -- they still have a ways to go. So we're just fortunate to be along working with them as a partner, and we've been at it for several years, as you know, with them. And indeed, we see a pretty bright and exciting future around the current ways of technology and then coming ways of technology.

Timothy Paul Savageaux ***Northland Capital Markets, Research Division - MD & Senior Research Analyst***

Great. If I could just sneak one more in quickly. I mean you seem to imply in your commentary that as was the case last quarter, your guidance for broadband for this year is overwhelming. I don't know what the right word is -- completely a function of your current customer base and that I would -- as well as the backlog commentary shifting from 80% to majority. I guess that you expect the big new orders that you got on the broadband side in Q1 to ship principally into '24. Is that fair to say?

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

As we said, the backlog is still a majority within 12 months. It is important to remember that while there is much discussion about the supply chain improving, we are still in general, dealing with 12-month lead times and commitment requirements. And that's something that our customers are cognizant of and working with us on. So indeed, order activity right now, it doesn't need really to be more than 12 months, but it reflects, in general, a 12-month view, which indeed does bring us into 2024. I mean that's the first part of your question, yes. 2023, predominantly existing customers. We see new customers really all the time kind of coming on and slowly beginning to ramp. But with that caveat to 2023, the best way to think about it is predominantly existing customers, and we really see a material impact from new customers in 2024.

Operator

Our next question comes from the line of George Notter of Jefferies.

George Charles Notter ***Jefferies LLC, Research Division - MD & Equity Research Analyst***

I guess I wanted to -- if I go back to the conversation I think we had in the past, it was about how the sort of vendor ecosystem for optical nodes had kind of taken a step back, Cisco, of course, more or less exited the node market. And as a result, there was a period of time there where Harmonic was getting more share than you guys anticipated. And I know its diluting margins. But if I come back to the environment currently, where do you think you guys are in terms of node market share? Do you think you guys could have a third of the market, half, two-thirds? I mean what kind of share do you think is reasonable in general for the company?

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

We believe, and it's consistent with, I think, it's the (inaudible) Group that tracks this. So we believe that let's focus specifically on the distribute and access nodes, George, which is where we -- sole area where we participate. We think we're in the neighborhood of about 70% of the DAA nodes that have been deployed to-date. Our multiyear or 2025 model that we presented at our Analyst Day envisions this percentage dropping somewhat, but perhaps closer to 50% maybe the 30% that we might have discussed with you, I don't know, a year or 18 months ago.

So in short, we've been pleasantly surprised by the success that we've had. We've built a great product, and it's not just that it's tied to our cloud-native core from a power consumption, from a capability, from a throughput point of view, from being able to house both the DOCSIS and the fiber elements a number of reasons, our node turns out to be extraordinarily competitive. And we expect it will continue to be that way. Perhaps 70% market share is a bit lofty hence, our multiyear view that it comes down. But we're increasingly confident that we'll be able to maintain a very healthy market share.

George Charles Notter ***Jefferies LLC, Research Division - MD & Equity Research Analyst***

Got it. That's great. And then as a follow-up I know from some of the metrics here, you guys have -- I think you said 18.4 million homes that are now connected to CableOS. When I look at the second derivative of those numbers quarter-to-quarter, it's down a chunk relative to what you put up in December. I think this quarter, you passed an additional -- connected an additional 3.2 million homes, I think, in December, that was 4.3 million homes. And so should I infer from that, that your CableOS revenue was down sequentially or should I not be kind of aligning revenue so tightly with homes connected as I think about you guys?

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

Yeah. There's certainly a correlation over time. But quarter-to-quarter, a lot of different stuff happens in terms of shipment deployment, etcetera. And particularly in the first quarter where some geographies are affected by weather, George, I think I wouldn't read too much into quarter-to-quarter fluctuation. I do think that our full year guidance and then the multiyear guidance is really the best indicator of the overall trend that we see around the CableOS.

Operator

I would now like to turn the conference back over to management for closing remarks.

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

All right. Well, thank you all again very much for joining us. We had a great first quarter. Second quarter is well underway, the rest of the year and the following years continue to look very positive. We're excited about our business, excited what we're doing, and we continue to appreciate your support. We look forward to our next opportunity to update to meet with you. Until then, have a good evening, everyone.

Operator

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