



**NETAPP
FIRST QUARTER OF FISCAL YEAR 2026
PREPARED REMARKS
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Prepared remarks by:

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George Kurian, Chief Executive Officer

Wissam Jabre, EVP and Chief Financial Officer

Kris: Hi everyone – thanks for joining us. With me today are our CEO, George Kurian, and CFO, Wissam Jabre. This call is being webcast live and will be available for replay on our website at netapp.com.

During today's call, we will make forward-looking statements and projections with respect to our financial outlook and future prospects, including, without limitation, our guidance for the second quarter and fiscal year 2026; our expectations regarding future revenue, profitability and shareholder returns; and other growth initiatives and strategies.

These statements are subject to various risks and uncertainties, which may cause our actual results to differ materially.

For more information, please refer to the documents we file from time to time with the SEC and on our website, including our most recent Form 10-K and Form 10-Q. We disclaim any obligation to update our forward-looking statements and projections.

During the call, all financial measures presented will be non-GAAP, unless otherwise indicated.

Reconciliations of GAAP to non-GAAP estimates are available on our website.

I'll now turn the call over to George.

George: Thanks, Kris. Good afternoon, everyone. Thank you for joining us.

We delivered a solid start to fiscal year 2026, achieving revenue of \$1.56 billion, above the midpoint of our guidance range. As anticipated, robust performance in the Americas enterprise offset year-over-year declines in U.S. Public Sector and EMEA. This success was fueled by strong demand for our all-flash offerings, first-party and marketplace cloud storage services, and AI solutions. By maintaining an unwavering focus on helping customers with their top priorities, we are driving success in a dynamic market.

While we continue to observe some macro-related spending caution, the emerging enterprise AI market is driving urgency among customers to modernize data infrastructure, advance cloud transformations, and bolster cyber resiliency. The data infrastructure demands of AI applications are complex and relentless, involving the need to unify, search and organize massive volumes of data scattered across multiple silos, on premises and in the cloud. Legacy architectures are increasingly becoming bottlenecks, limiting the ability to scale and adapt to new requirements.

Organizations are turning to NetApp for data solutions that deliver competitive advantage and operational efficiencies. Our unified data architecture, capable of handling any data type, anywhere, empowers customers to break down silos, eliminate complexity, and accelerate their AI journeys.

Customers seeking to build future-proof, AI-ready infrastructure choose NetApp. In Q1, we secured a number of wins highlighting the unique benefits of our intelligent data infrastructure platform powered by ONTAP as customers modernize their data infrastructure. For example, a leading global bank turned to NetApp to manage massive amounts of highly sensitive structured and unstructured data. The customer needed a centralized hybrid cloud data lake to be the foundational source for its AI initiatives, with stringent requirements for cyber resiliency and data protection. Our ability to deliver a secure, high-performance, scalable platform with unified management, supporting all data types and spanning both cloud and environments made NetApp the clear choice.

In Q1, our all-flash array revenue grew 6% year-over-year to \$893 million, an annualized run rate of \$3.6 billion. Exiting Q1, 45% of systems in our installed base under active support contracts are all-flash.

Healthy customer engagement and strong interest in our unified and block-optimized all-flash storage portfolio have enabled us to displace competitive all-flash and hybrid-flash footprints. This strength propelled us to the number one position in the all-flash array market for calendar Q1 2025, as reported by IDC.

Let me share a couple of examples that highlight why customers are moving to NetApp. In Q1, an aerospace company selected us to replace a competitor's footprint. With ONTAP-based all-flash arrays, the customer gained cutting edge security and performance for its defense initiatives with consistent data management across multiple data types and domains, streamlining operations, boosting productivity, and enhancing security, data protection, and resilience against cyber threats.

Another example from Q1 is a UK-based financial services firm that replaced a competitor's storage infrastructure with our block-optimized all-flash arrays. The customer selected NetApp for our enterprise data management capabilities, which helped enable them to secure, protect, and efficiently store sensitive client data. Our modern data infrastructure also helped the customer achieve its sustainability requirements with better total cost of ownership through rack space consolidation and more efficient power and cooling.

In Q1, we delivered enhancements to each of our first party cloud storage services, increasing their value to customers and expanding our technology leadership. Our natively integrated services enable customers to discover, deploy, and manage storage seamlessly alongside other native services. This integration puts us in front of customers at the point of workload design, ties to hyperscaler committed spend, benefits from hyperscaler seller incentives, and reduces procurement and operational friction. In addition to a seamless customer experience, our cloud storage services deliver the performance, cost efficiency, data protection, cybersecurity, multiprotocol support, and hybrid multicloud capabilities of ONTAP. Our native integration and advantages over other cloud storage services are driving strong win rates in enterprise-critical workloads.

Our highly differentiated first party and marketplace cloud storage services continue to deliver rapid growth, increasing 33% from Q1 a year ago.

In the first quarter, Public Cloud Services again served as a strong engine for new customer acquisition. A leading energy company migrated from its VMware environment to VMware Cloud on AWS and FSx for NetApp ONTAP. After experiencing ONTAP's rich feature set, this first-time NetApp customer decided to expand its use of FSxN for AI and other workloads.

A global technology provider migrated from a competitor's environment to NetApp block storage in the cloud for its database environment. The customer chose NetApp for our ability to seamlessly move data across multiple clouds, as well as our robust data protection capabilities. NetApp helped enhance the customer's data security, disaster recovery posture, and operational efficiency. We are already in discussions to expand their usage of our cloud services into new areas.

Just as we have empowered enterprises to harness public and hybrid cloud environments, we are now helping them achieve faster time to value in their AI journeys. Enterprises are beginning to explore and deploy inferencing workloads, shifting demand from proofs of concept to transformational initiatives which require comprehensive analysis of data sets across the enterprise. Achieving business outcomes from AI investments is our customers' and our priority.

Unlike training environments, successful enterprise AI deployments require more than just performance and scale. They demand unified data management, enterprise-grade data protection, production-scale reliability, hybrid-multicloud integration, and the ability to consolidate data without compromising privacy or security. Our AI solutions are designed to truly unify enterprise data, delivering outstanding performance and scale while also seamlessly meeting all these critical requirements. This positions us exceptionally well to address the evolving needs of our customers. In Q1, we closed approximately 125 AI infrastructure and data lake modernization deals across various geographies, industries, and use cases. We further expanded our AI ecosystem in Q1. We introduced the AIPod Mini with Intel to address the cost and complexity of deploying AI at the department and team level. Additionally, we completed the NetApp reference architecture for NVIDIA Cloud Partners providing ultra-high performance with the richness of NetApp's hyperscaler proven data management. This collaboration allows AI service providers to deliver scalable, high-performance, enterprise-grade data services by combining ONTAP's advanced data management with NVIDIA's compute and networking platforms, delivering consistent governance, multi-tenancy, and security across hybrid and multi-cloud environments.

Our conversations with customers about AI infrastructure have intensified, with organizations recognizing the critical role that data plays. Notable AI wins in Q1 included a leading automaker that chose NetApp to efficiently manage the massive data volumes essential for training advanced AI models and for building an autonomous vehicle software stack. NetApp's data governance, security, and auto-tiering capabilities were key factors in this customer selecting us as the data infrastructure for their Nvidia SuperPod deployment.

Another example showcases our capabilities for service providers. A large sovereign cloud provider selected NetApp for their AI as a Service platform to support large LLM providers and AI development companies. Critical factors in this win included our certification with NVIDIA Cloud Partners, confirming compatibility and performance for AI workloads, and our secure multi-tenancy, delivering storage and data isolation with assured high-performance SLAs for each tenant in a shared environment.

Looking ahead, we remain committed to executing our innovation roadmap and are building on a position of strength. We have taken the #1 position in the all-flash market by helping customers modernize with cutting-edge data infrastructure and industry-leading cyber resilience for storage. Our highly differentiated cloud services enable hybrid and multicloud transformations. And we are well-positioned and growing in the emerging area of enterprise AI. I am excited about the advantages we bring to customers in these critical areas.

Our commitment to delivering customer value with the industry's best products and cloud services is unwavering, our focused strategy is delivering share gains, and our teams are energized and executing with discipline. I hope to see you all this October at our NetApp Insight customer conference where we will unveil more pioneering innovation for the era of data and intelligence.

I'll now turn it over to Wissam.

Wissam: Thanks, George. And good afternoon, everyone.

As a reminder, all numbers discussed are non-GAAP unless otherwise noted.

We delivered a strong quarter, exceeding the midpoint of our revenue and EPS guidance ranges. As expected, first quarter revenue was driven by strength in the Americas enterprise offsetting softness in U.S. public sector and EMEA.

Total revenue for Q1 came in above the midpoint of our guidance at \$1.56 billion, up 1% year-over-year. Excluding the divested Spot business, which generated \$23 million of revenue in Q1 2025, total revenue was up 3% year on year. The effect of foreign currency exchange rates was favorable to revenue growth by approximately 1 percentage point year on year, though it was immaterial relative to guidance.

Q1 Hybrid Cloud revenue of \$1.40 billion was up 1% year-over-year driven by Support revenue of \$647 million growing 3%, and Professional Services revenue of \$97 million growing 18%. Keystone, our differentiated storage-as-a-service offering, which was up approximately 80% compared to the same period last year, drove the growth in Professional Services revenue. Product revenue of \$654 million was down 2% year-over-year.

Public Cloud revenue of \$161 million increased 1% year-over-year. Excluding Spot, Public Cloud revenue was up 18% year-over-year.

We ended Q1 with \$4.53 billion in deferred revenue, up 9% year-over-year and 6% year-over-year in constant currency. Q1 Remaining Performance Obligations were \$4.94 billion, up 11%. Unbilled RPO, a key indicator of future Keystone revenue, was \$415 million, up 40% year-over-year.

Q1 consolidated gross margin improved by 1.6 percentage points sequentially to 71.1%. Hybrid Cloud gross margin was 70.0%, up 1.6 percentage points sequentially due to favorable mix of highly profitable support revenue. Product gross margin was 54.0%. Our recurring support business continues to be highly profitable, with gross margin of 92.3%, and Professional Services gross margin was 29.9%, driven by Keystone.

Public Cloud gross margin was 80.1%, up 80 basis points sequentially and 9 percentage points year-over-year. Our Public Cloud business was at the high-end of the 75-80% long-term target range in Q1. We are

confident that Public Cloud gross margin will continue to improve and are increasing the long-term gross margin target range for this business to 80-85%.

Operating expenses of \$707 million were down 1% year-over-year despite the unfavorable impact of foreign currency exchange rates, and flat from Q4 2025.

Q1 operating profit was \$401 million, operating margin was 25.7% and diluted EPS was \$1.55, all aligned with our expectations.

We had a strong cash quarter with Q1 records for both cash flow from operations of \$673 million and free cash flow of \$620 million. This was mainly driven by working capital improvement.

During the first quarter, we redeemed the senior notes due in June 2025 for \$757 million, which comprised principal and interest.

We also returned \$404 million of capital to our shareholders with \$300 million in share repurchases and \$104 million paid in dividends of \$0.52 cents per share. Q1 diluted share count of 203 million was down 9 million shares, or 4% year-over-year.

Our balance sheet remains strong. We ended the quarter with \$3.3 billion in cash and short-term investments and \$2.5 billion in total debt, resulting in a net cash position of approximately \$840 million. Now turning to guidance, starting with Q2.

We expect revenue to be \$1.69 billion, plus or minus \$75 million. This implies 2% growth year-over-year at the midpoint. Excluding the divested Spot business from the year ago comparison, our revenue guidance implies 3% growth.

We expect Q2 consolidated gross margin to be 71%, plus or minus 0.5%, and operating margin to be in the range of 28% to 29%. Diluted EPS is expected to be between \$1.84 and \$1.94 with a midpoint of \$1.89.

Turning now to full year 2026.

We are pleased with the solid start to the year and remain confident in our strong portfolio, as well as our ability to execute in a dynamic environment.

We are reiterating our full year guidance and expect fiscal year 2026 total revenue to be between \$6.625 and \$6.875 billion dollars, which at the \$6.75 billion midpoint, reflects 3% growth year-over-year. Excluding Spot, revenue guidance implies 4% growth year-over-year. We expect diluted EPS in the range of \$7.60 to \$7.90, for a midpoint of \$7.75.

In closing, as we look to the remainder of fiscal year 2026, we are focused on executing our strategy, capitalizing on our growing opportunities, enhancing profitability and free cash flow, and consistently delivering value to our customers and shareholders.

I'll now turn the call over to Kris for Q&A.

Kris: Thanks Wissam. Operator, let's begin the Q & A.