



**NETAPP
SECOND QUARTER OF FISCAL YEAR 2026
PREPARED REMARKS
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Prepared remarks by:
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George Kurian, Chief Executive Officer
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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 third 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 strong Q2, with revenue of \$1.71 billion, up 3% year-over-year. Excluding the divested Spot business, total revenue was up 4%. All-flash and Public Cloud, which address growth markets and

carry higher gross margins, made up 70% of Q2 revenue. This shift, combined with our continued operational discipline, has enabled us to drive profitability metrics higher. Our gross margin set a Q2 record and exceeded our guidance range. Both operating margin and EPS surpassed expectations and marked all-time highs.

Expected softness in USPS revenue was offset by growth in all other geographies. We saw strong demand for our AI solutions, first-party and marketplace cloud storage services, and all-flash offerings. In the age of data and intelligence, customers are choosing NetApp for our unified data platform that delivers exceptional value and operational efficiencies, fueling our success in the face of the on-going uncertain macro environment.

In October, we hosted our annual customer conference, NetApp INSIGHT, where we unveiled major advancements to our enterprise-grade data platform, including enhanced AI workload capabilities, stronger cyber resilience, and deeper AI integrations and data solutions with our hyperscaler partners. Customers and partners shared how NetApp is driving their success in the age of data-enabled intelligence. Their feedback and achievements underscore our commitment to innovation and delivering value in a rapidly evolving landscape.

We launched AFX, an ultra-scalable, extreme-performance, disaggregated storage platform certified for NVIDIA SuperPOD, designed to power demanding AI workloads and AI service providers. AFX seamlessly integrates into an organization's hybrid multicloud data estate with the proven, enterprise-grade data management and security features of ONTAP.

We also introduced the NetApp AI Data Engine, an end-to-end AI data service integrated into ONTAP. The AI Data Engine, referred to as AIDE, simplifies data discovery, querying, searching, and analysis. It helps operationalize and scale data pipelines for AI with integrated data discovery, curation, policy-driven guardrails, and real-time vectorization. This enables fast data access, efficient transformation, and trusted governance.

Together, AFX and AIDE transform how enterprise customers achieve positive AI outcomes by accelerating data discovery and simplifying data pipelines while maintaining security, access controls, and data integrity. Native integration with leading AI platforms, including Domino, NVIDIA, and Informatica, enables compatibility with enterprise workflows. Our zero-copy caching and native cloud connectivity

help organizations unify data and apply advanced AI capabilities across any site, cloud, or model, speeding time to insight.

We also enhanced our rapidly growing Keystone Storage-as-a-Service for Enterprise AI, offering AFX and AIDE under a single subscription for elastic scaling and usage-based billing, encouraging broader enterprise AI adoption.

These innovations build on our growing success in AI workloads. In Q2, we closed approximately 200 AI infrastructure and data lake modernization deals across diverse geographies, industries, and use cases. Our massive installed base of unstructured data, advanced data and metadata movement services, industry-leading data security, and unique hybrid multicloud capabilities make us the clear choice for enterprise AI.

Here's an example of why we are winning in enterprise AI deployments. A global semiconductor capital equipment manufacturer selected NetApp to unify its enterprise AI data foundation across on-premises and cloud environments. Our hybrid multicloud data visibility and secure governance drove confidence in the compliance and operational efficiency of their AI workloads. We enabled them to create a single, searchable view of corporate knowledge across millions of documents, emails, and engineering datasets, providing employees with faster, more accurate access to institutional knowledge.

A large amount of AI innovation takes place in the public cloud. ONTAP is the only unified data platform natively integrated in the public cloud, putting us in a unique position to enable customers to leverage any of the major AI models without the complexities of moving data. In Q2, we expanded our native AI capabilities in Azure and Google Cloud, adding to what is already available in Amazon Web Services, giving customers the flexibility to run AI workloads wherever they choose.

Adding to existing multiprotocol support in AWS, we launched support for block storage capabilities in Google Cloud NetApp volumes in Q2. This brings the full power of ONTAP to Google Cloud with high performance, unified storage, integrated data management and protection, and a common cloud control plane. We introduced new capabilities in Azure NetApp files including single file restore and a flexible service level for independent scaling of throughput and capacity. And in Amazon FSx for NetApp ONTAP, we announced support for Amazon Elastic VMware Service, enabling secure, efficient migration of VMware workloads to AWS. By continuously adding new functionalities to our public cloud storage services, we are broadening our addressable market, driving new customer acquisition, and positioning

ourselves for continued growth. This strategy has yielded rapid expansion in our highly differentiated first-party and marketplace cloud storage services, with revenue increasing approximately 32% from Q2 a year ago.

In Q2, a leading cloud-based media production company selected FSxN as its standard for file and block storage. In addition to multiprotocol support, FSxN delivered cost savings through storage efficiency, high availability, superior multi-tenancy, and intelligent caching to put data close to its users. The company believes that FSxN gives it a competitive edge in optimizing cloud storage and enhancing performance for its customers, crediting these capabilities for a key customer win.

Customers are choosing NetApp to provide a unified, cyber resilient, and efficient way to manage their entire data estate. Built for the age of data-enabled intelligence, the NetApp Data Platform redefines what a modern enterprise foundation should be: unified, enterprise-grade, intelligent, cloud-connected, and ecosystem-ready. We help organizations modernize, secure, transform, and use AI with confidence.

Continued strong customer engagement and interest in our unified and block-optimized all-flash storage portfolio delivered 9% year-over-year growth in all-flash array revenue to \$1.0 billion in Q2, or an annualized run rate of \$4.1 billion. Exiting the quarter, approximately 46% of installed base systems under active support contracts are all-flash.

NetApp helps customers confidently safeguard their data with built-in security through real-time threat detection, protection, and recovery. In Q2, we enhanced the NetApp Data Platform's industry-leading cyber resilience by launching the NetApp Ransomware Resilience service for both structured and unstructured data. This service is designed to stop cyber threats before they cause extensive damage by proactively detecting data breaches in real time and providing isolated environments for safe, clean data recovery.

Our industry-leading cyber resilience capabilities are helping us win new customers and displace competitors. In Q2, a major Asian life insurance company chose NetApp for its mission critical, private cloud environment, replacing its long-standing storage vendor. Ransomware protection was a top priority and our ability to provide strong cyber resiliency for critical workloads was a key factor in the decision to choose NetApp.

We also announced the latest version of StorageGRID with new capabilities designed to enhance AI initiatives, improve data security, and modernize organizations' data infrastructure. Many customers begin their AI journey by updating data lake environments, and StorageGRID object storage delivers the optimized performance, intelligent data management, and modern cloud integrations needed to manage massive data sets. In Q2, a leading financial services company selected StorageGRID to modernize its legacy Hadoop environment. With capabilities for a hybrid architecture featuring data durability, a global namespace, robust security, and automated, zero-intervention backup and disaster recovery, StorageGRID addressed the company's next gen AI workload requirements.

In summary, strong execution and operational discipline delivered an outstanding second quarter. Our focus on growing markets – all-flash, Public Cloud, and AI – continues to yield topline growth. The substantial innovation we introduced this quarter extends our differentiation and helps solidify our leadership position as the Intelligent Data Infrastructure company.

Looking ahead, we are focused on leveraging our alignment to customers' top data initiatives and pressing our significant competitive advantage. Despite the unsettled macro environment and near-term USPS headwinds, we remain confident that our visionary approach to a data-driven future will enable us to outgrow the market and capture additional share.

I'll now turn it over to Wissam.

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

As George mentioned, in the fiscal second quarter, we delivered strong results, exceeding both the midpoint of the revenue guidance range and the high-end of the EPS guidance range. Total revenue for the quarter was \$1.71 billion, up 3% year-over-year. Non-GAAP earnings per share was \$2.05.

Excluding the divested Spot business, which generated \$23 million of revenue in the year ago quarter, total revenue was up 4% year on year. The effect of foreign currency exchange rates was favorable to revenue growth by approximately 1 percentage point year on year, while it was immaterial relative to guidance.

Looking at revenue by segment, Hybrid Cloud revenue of \$1.53 billion was up 3% year-over-year, driven by Product, Support, and Keystone. Keystone continues to show great progress, with growth of 76% year-over-year.

Public Cloud revenue of \$171 million increased by 2% year-over-year. Excluding Spot, Public Cloud revenue was up 18% year-over-year, driven by strong demand in first-party and marketplace storage services.

At the end of the second quarter, our deferred revenue balance was \$4.45 billion, up 8% year-over-year and 7% year-over-year in constant currency. Remaining Performance Obligations were \$4.90 billion, growing 11% year-over-year. Unbilled RPO, a key indicator of future Keystone revenue, was \$456 million, up 39% year-over-year.

Moving to the rest of the income statement. Please note my comments will be related to non-GAAP results unless stated otherwise.

Gross margin for the fiscal second quarter was 72.6%, above our guidance range. Sequentially, gross margin was up 1.5 percentage points. Gross profit was \$1.24 billion, up 4% compared to Q2 2025.

Hybrid Cloud gross margin was 71.4%, up 1.4 percentage points sequentially due to product gross margin improving by 5.5 percentage points to 59.5%. Our support business continues to be highly profitable at 92.1%. Professional Services gross margin was 30.3%, improving 40 basis points sequentially driven by higher Keystone revenue mix.

Public Cloud gross margin was 83.0%, up nearly 3 percentage points sequentially and over 9 percentage points year-over-year.

Operating expenses of \$707 million were flat sequentially and down 2% year-over-year despite the unfavorable effect of foreign currency exchange rates.

Operating income was \$530 million, up 12% compared to Q2 2025. Operating margin was 31.1%, up 2.4 percentage points year-over-year, driven by higher revenue and gross margin, combined with lower operating expenses.

Earnings per share was \$2.05, growing 10% year on year. Both operating margin and EPS exceeded the high end of our guidance ranges.

Our results demonstrate strong execution on key revenue growth opportunities in all-flash, Public Cloud, and AI, as well as continued focus on operational discipline.

Cash flow from operations was \$127 million, and free cash flow was \$78 million.

During the second quarter, we returned \$353 million of capital to our shareholders with \$250 million in share repurchases and \$103 million paid in dividends of \$0.52 cents per share. Q2 diluted share count of 202 million decreased by 8 million shares, or 4% year-over-year.

At the end of the quarter, cash and short-term investments were \$3.0 billion and gross debt outstanding was \$2.5 billion, resulting in a net cash position of approximately \$528 million.

I'll now turn to non-GAAP guidance, starting with Q3.

We expect revenue of \$1.69 billion, plus or minus \$75 million. At the midpoint, this implies a growth of 3% year-over-year. Excluding the divested Spot business from the year ago comparison, our revenue guidance implies a 5% growth.

We expect Q3 gross margin of 72.3% to 73.3%.

Operating margin is anticipated to be in the range of 30.5% to 31.5%.

We expect EPS to be between \$2.01 to \$2.11 with a midpoint of \$2.06.

Turning now to full year 2026.

We continue to expect fiscal year 2026 revenue to be between \$6.625 and \$6.875 billion dollars, which at the \$6.750 billion midpoint, reflects 3% growth year-over-year. Excluding Spot, our revenue guidance implies a growth of 5% year-over-year.

Based on our Q2 performance and the confidence in our outlook for the second half, we are raising gross margin, operating margin, and EPS ranges for the fiscal year.

We now expect our fiscal year 2026 gross margin to be in the range of 71.7% to 72.7%, and are increasing our operating margin to 29.5% to 30.5%.

We expect other income and expenses to be approximately negative \$15 million.

For the year, we expect a tax rate in the range of 20.2% to 21.2%.

We are raising our EPS range to \$7.75 to \$8.05, with a midpoint of \$7.90.

In closing, as we look ahead to the rest of fiscal year 2026, our commitment to executing our strategy remains strong. We are poised to seize the expanding opportunities in all-flash, cloud and AI, and remain focused on consistently delivering exceptional 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.