



NETAPP
THIRD 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 fourth 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 measures are available on our website.

I'll now turn the call over to George.

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

We delivered another strong quarter, with Q3 revenue of \$1.71 billion, an increase of 4% year-over-year. Excluding the divested Spot business, total revenue was up 6%. Our accelerating growth, coupled with continued operational discipline, has enabled us to drive profitability metrics higher. Operating income and EPS achieved record highs. We are in a strong position to deliver sustained growth and are on track to deliver our strongest year yet.

I'm proud to share a marquee moment that underscores our pivotal role as the intelligent backbone for modern data-driven innovation. The Super Bowl is more than the biggest sports event of the year; it is a global showcase of innovation and partnership. During Super Bowl LX, our technology transformed Levi's Stadium into an interactive data center. We managed billions of data points, powering everything from video boards to real-time inventory and security operations. In this most demanding, 'no-fail' environment, we demonstrated our ability to deliver flawlessly.

In the AI era, organizations face security threats, fragmented architectures, shortage of expertise, and operational complexity, which make it difficult to unify and harness data for its full potential. We help enterprises solve these pressing data challenges by delivering a data platform that is optimized, secured, and AI ready. Customers rely on NetApp technologies to be the data foundation to support AI innovation, modernize data infrastructure, strengthen cyber resilience, and transform cloud strategies.

In Q3, approximately 300 customers selected NetApp to help prepare their data for AI and to be the storage foundation for their AI innovations. Last October, we announced major enhancements to our enterprise-grade data platform for AI workloads. These new

solutions, AFX and AI Data Engine, are generating significant customer interest and engagement.

AFX is our disaggregated storage system purpose-built for AI that gives customers the benefit of enterprise-grade security and capabilities coupled with extreme performance and scale. We are excited to report strong early momentum with AFX, in its first quarter of shipment. We have secured significant AFX wins across key industries, including neo cloud, financial services, and semiconductor.

An example of an early AFX win is for model training and fine tuning at a neo cloud. AFX stood out among competitive disaggregated architectures for its multi-tenant management, container integration, cyber resilience, and replication capabilities.

One of the biggest challenges in AI is data. The AI Data Engine helps to improve time to value in AI projects by simplifying workflows with integrated data discovery, curation, policy-driven guardrails, and real-time vectorization for GenAI. By understanding where their data is, customers can ramp AI projects faster, boost result accuracy, and slash time to insight. Our early access program has been highly successful, engaging customers from key industries such as semiconductor, media and entertainment, financial services, and IT services. AIDE will be generally available in Q4.

NetApp helps customers modernize their environments with a unified, adaptive data foundation that extends across on-premises and cloud, delivering high performance, availability, and integrated security. As data center demands grow, customers are leveraging all-flash arrays to achieve density and power requirements. Strong customer engagement and interest in our unified and block-optimized all-flash storage portfolio delivered another record all-flash array revenue quarter, growing 11% year-over-year to \$1.0 billion in Q3, for an annualized run rate of \$4.2 billion.

The importance of our robust cyber resilience capabilities cannot be overstated as customers look to safeguard their most-valuable asset—data. The NetApp data platform delivers comprehensive ransomware protection, backup, disaster recovery, and data governance in a single, secure foundation that reduces the time to detect anomalies, recover data, and get our customers back to business. Embedded protections and our Ransomware Recovery Guarantee help customers confidently withstand today's sophisticated threats and prepare for tomorrow's challenges. These capabilities foster trust in NetApp in an increasingly volatile digital landscape, enabling us to win new customers and displace competitors.

An example of this is a European financial services company needing to refresh its entire data center to enable scalability and compliance with current regulations. In Q3, this customer selected NetApp all-flash systems to replace multiple competitors. Critical to the win were our anti-ransomware services, data classification, and Write Once, Read Many snapshots, delivering business continuity, robust data protection, and regulatory compliance, while positioning the customer to manage future growth.

Keystone, our storage as a service offering, continues to perform well, as customers navigate infrastructure transitions, cloud migrations, and rising memory costs. Keystone revenue grew approximately 65% from Q3 a year ago.

In Q3, an insurance technology company planning a multi-year migration to the cloud selected NetApp Keystone as the storage solution to enable this transition. This new-to-NetApp customer selected Keystone for a fast and efficient way to eliminate a competitor's storage as a service footprint that did not offer a true path to the cloud.

As that example demonstrates, our first-party relationship with the hyperscale cloud providers is a real differentiator for us. Adjusted for the Spot divestiture, our Public Cloud Services revenue grew 17% year-over-year, driven by first-party and marketplace services

which grew 27%. These services are a powerful driver for new customer acquisition. About half of the revenue driven by new first-party and marketplace customers in Q3 came from new to NetApp customers, highlighting the role cloud plays in expanding our customer base.

Let me share a couple of examples of how our cloud services are displacing competitors. A multinational insurance company, aiming to overcome the complexity of its legacy infrastructure and improve agility, selected Azure NetApp Files for its proven performance, ease of use, and enterprise-grade reliability. ANF is now the cornerstone of their cloud transformation. Similarly, a retailer, after experiencing a ransomware attack, moved off a competitor's infrastructure to the cloud. They chose AWS FSx for NetApp ONTAP for its support of immutable volume copies, providing data protection against cyberattacks. FSxN is now their default storage service in AWS.

As a leading enterprise storage solution provider and the only one with first-party data storage services native to the public cloud, NetApp is uniquely equipped to help customers easily connect their data with the leading cloud-based AI applications and accelerate modern workloads like AI in the cloud. In Q3, we introduced a new capability enabling Amazon S3 Access Points for Amazon FSx for NetApp ONTAP. This allows enterprises to make their workflows simpler and more efficient by connecting the many AWS AI and Analytics services directly with their NetApp data both in the cloud and on premises. Also in Q3, we announced the public preview of Object REST API on Azure NetApp Files, enabling seamless, real-time integration between an organization's data and Azure's advanced analytics and AI services. With direct and secure access to enterprise data, companies can extract actionable insights and make data-driven decisions faster, giving them a competitive edge in an increasingly data-driven world.

Already, these connections are being used by customers. In Q3, a multinational manufacturing company selected FSxN as the high-performance data layer for its AI workloads on AWS. The customer is leveraging our recently introduced S3 support to bring AI to its large, existing file-based datasets without having to duplicate or re-platform its data.

Before I wrap up, I'd like to address how we are managing through the unprecedented inflation in memory prices currently affecting the global market. First, we have raised our pricing and will do so again, as needed. Second, we are working with our customers and channel partners to be more agile in this dynamic environment. Third, we are working with our multiple suppliers to address availability and manage costs, as we have successfully done in the past. And finally, unlike our all-flash only competitors, we have a broad portfolio that includes hybrid flash arrays, giving us the opportunity to better service price-sensitive workloads.

In summary, solid execution and operational discipline delivered another strong quarter. Customers are choosing NetApp for our unified data platform that delivers exceptional value and operational efficiencies, solidifying our position as the intelligent data backbone for the AI era. As I look to the future, I am confident in the opportunity ahead and in our ability to successfully execute on our strategic plan. We will continue to invest in key areas that drive growth and provide long-term value for our shareholders.

I'll now hand it over to Wissam.

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

As George mentioned, in the fiscal third 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 4% year-over-year. Non-GAAP earnings per share was \$2.12, up 11% year-over-year.

Excluding the divested Spot business, which generated \$25 million of revenue in the fiscal third quarter of the prior year, total revenue was up 6% year-over-year. The effect of foreign currency exchange rates was favorable to revenue growth by approximately 2 percentage points year-over-year, while it was immaterial relative to guidance.

Looking at revenue by segment, Hybrid Cloud revenue of \$1.54 billion was up 5% year-over-year, driven by Product, Support, and Keystone. Keystone continues to build momentum, with revenue growth of approximately 65% year-over-year.

Public Cloud revenue of \$174 million was in-line with last year's third quarter revenue. Excluding Spot, Public Cloud revenue was up 17% year-over-year, driven by strong demand for first-party and marketplace storage services.

At the end of the quarter, our deferred revenue balance was \$4.63 billion, up 12% year-over-year and 9% year-over-year in constant currency. Remaining Performance Obligations were \$5.11 billion, growing 14% year-over-year. Unbilled RPO, a key indicator of future Keystone revenue, was \$482 million, up 38% 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 third quarter was 71.2%, up 50 basis points year-over-year, driven by Public Cloud gross margin expansion. Gross profit was \$1.22 billion, up 5% compared to Q3 2025.

Hybrid Cloud gross margin was 69.6%, down 1.8 percentage points sequentially as product gross margin declined by 4.2 percentage points to 55.3%. This was primarily due to an unfavorable revenue mix and, to a lesser extent, the need to make market purchases to meet unexpectedly higher demand for certain products. Our support business continues to

be highly profitable at 92.5%. Professional Services gross margin was 31.3%, improving 100 basis points sequentially driven by higher Keystone revenue mix.

Public Cloud gross margin was 85.1%, up approximately 2 percentage points sequentially and approximately 9 percentage points year-over-year.

Operating expenses of \$686 million were down 3% sequentially. Operating expenses were up 3% year-over-year in part due to the unfavorable effect of foreign currency exchange rates.

Operating income was \$533 million, up 8% compared to Q3 2025. Operating margin was 31.1%, up 1.1 percentage points year-over-year.

Earnings per share was \$2.12, growing 11% year on year, and exceeding the high-end of our guidance range.

Our results demonstrate strong execution on key revenue growth opportunities in all-flash, Public Cloud, and AI, along with a continued focus on operational discipline, resulting in record highs in both quarterly operating income and EPS.

Cash flow from operations was \$317 million, and free cash flow generation was \$271 million.

During the quarter, we returned \$303 million of capital to our shareholders with \$200 million in share repurchases and \$103 million paid in dividends of \$0.52 per share. The Q3 diluted share count of 200 million decreased by 8 million shares, or 4% year-over-year.

Cash and short-term investments were \$3.0 billion and gross debt outstanding was \$2.5 billion, resulting in a net cash position of \$522 million.

I'll now turn to non-GAAP guidance, starting with Q4.

We expect revenue of \$1.87 billion, plus or minus \$75 million. At the midpoint, this implies a growth of 8% year-over-year. Excluding the divested Spot business from the year ago comparison, our revenue guidance implies a 9% growth.

We expect Q4 gross margin to be between 69.5% and 70.5%.

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

We expect EPS to be between \$2.21 and \$2.31.

Turning to full year 2026.

We now expect fiscal year 2026 revenue to be between \$6.772 and \$6.922 billion dollars, which at the \$6.847 billion midpoint, reflects 4% growth year-over-year. Excluding Spot, our revenue guidance implies a growth of 5% year-over-year.

We expect gross margin to be in the range of 70.7% to 71.7%, and operating margin to be in the range of 29.3% to 30.3%.

Other income and expenses are anticipated to result in a \$24 million net expense.

For the year, the tax rate is expected to be in the range of 20.2% to 21.2%.

EPS is expected to be in the range of \$7.92 to \$8.02.

In closing, as we look ahead to the rest of the fiscal year, we remain committed to our strategic vision and are confident in our ability to navigate this dynamic environment. Our focus on revenue growth and disciplined execution is yielding positive results and record profitability. We are dedicated to delivering exceptional long-term 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.