



NETAPP
FOURTH QUARTER AND FISCAL YEAR 2026
PREPARED REMARKS
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Prepared remarks by:
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Kris: Hi everyone – thanks for joining our Q4 and FY26 earnings call. 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 first quarter and fiscal year 2027; 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: Good afternoon, everyone; thank you for joining us.

FY26 was a landmark year for NetApp, with record results across revenue, gross profit, operating income, cash flow from operations and free cash flow, supported by strong customer demand in the fourth quarter. Our performance demonstrates our ability to capitalize on the accelerating adoption of enterprise AI and cloud. With our differentiated hybrid cloud, intelligent data infrastructure platform, trusted by the world's leading enterprises and

cloud providers, NetApp is increasingly at the center of our customers' data-driven AI transformations. Achieving our full year target of a 30% operating margin underscores our commitment to profitable growth and ongoing innovation.

NetApp stands at the forefront of a transformative era, driven by rapid AI adoption and explosive cloud growth. Enterprises are reimagining how they operate and compete, and only NetApp delivers truly hybrid, intelligent data infrastructure—on-premises and in the cloud, all-flash and hybrid flash— to seamlessly protect, secure, govern, and activate the entire data estate for AI. Our 30 years of innovation and leadership in hybrid multicloud environments are more relevant than ever as our vision of a hybrid world is realized.

As enterprise AI adoption scales, the primary challenge is not compute, but activating large volumes of unstructured data. A significant share of the world's enterprise unstructured data resides on NetApp solutions, and our ability to activate it securely and efficiently across hybrid and multicloud environments gives us a powerful competitive advantage. As the only true hybrid cloud platform unifying data governance across on-premises and cloud environments, we enable zero-copy data activation—eliminating the cost and risk of moving data and transforming fragmented infrastructure into a secure launchpad for real-time AI and automation. Our value proposition is resonating strongly with customers and the industry.

Our storage services on AWS, Azure, and Google Cloud empower customers to protect, mobilize, and govern their data with unmatched flexibility and consistency, regardless of location. This capability is increasingly critical as customers launch and scale their AI initiatives. By integrating our data infrastructure platform with the AI and analytics offerings of leading cloud providers, customers can activate their data for AI workloads in place, where it is created—without costly or time-consuming migration or duplication—making NetApp the secure, zero-copy foundation enterprises need to move from fragmented infrastructure to real-time AI at scale.

We've fueled nearly 50 partner AI factories and labs, as they build out their real-world test beds to accelerate AI deployment. A recent example of this is at World Wide Technology's live AI Proving Ground where NetApp AFX all-flash storage is featured, allowing customers to test architectures, validate performance, and quickly move from experimentation to deployment. This collaboration highlights the large opportunity ahead as enterprises look for trusted partners to operationalize AI confidently.

We see growing opportunity and success with neo and sovereign cloud providers, who recognize the strength of our differentiated solutions and our joint go-to-market initiatives with leading hyperscalers. These partnerships reinforce our position as a trusted collaborator in the evolving cloud ecosystem. A leading neo cloud turned to NetApp for intelligent all-flash storage infrastructure, eliminating complexity and powering orchestration at cloud

scale. The new deployments will help accelerate AI onboarding and time to value. With this win, we can begin to expand into other workloads to become the foundational data layer.

Another significant achievement is our expanded partnership with Google Cloud for Google Distributed Cloud, which underscores both the growing opportunity in AI and sovereign cloud environments and the strength of our technology. This collaboration enables government agencies and regulated enterprises to leverage advanced AI capabilities from Google and NetApp's secure-by-design data infrastructure platform to modernize operations and accelerate AI-driven insights—even in the most sensitive environments.

We achieved record revenue in Q4 and FY26, driven by public cloud, all-flash, and Keystone, which all reached all-time highs, reflecting strong demand from customers modernizing infrastructure and scaling AI workloads.

Public Cloud revenue grew to \$688 million in FY26, up 18% year-over-year normalized for the divestiture of the Spot by NetApp business in March 2025. This growth was driven by first party and marketplace cloud services, which increased 30% in FY26. We are seeing growing demand from both new and existing customers to extend NetApp's capabilities deeper into their cloud environments. Customers are increasingly choosing NetApp to simplify and scale their hybrid and multicloud environments, leveraging our unified data management capabilities for operational consistency and agility.

Our expanding cloud portfolio is unlocking new use cases and verticals, including AI, fueling growth and expanding our addressable market. For example, a leading insurance company accelerated financial risk modeling and data science by connecting Azure Databricks directly to their data in Azure NetApp Files, ensuring security, governance, and performance. Similarly, an Asian engineering company streamlined its GenAI chatbot deployment on AWS by leveraging FSx for NetApp ONTAP, allowing secure, permission-aware access to data in place and reducing operational overhead. Across these wins, the common thread is NetApp's ability to deliver secure, governed, high-performance data access for AI workloads—enabling customers to innovate faster and operate more efficiently, all while maintaining control and compliance.

FY26 all-flash revenue was \$4.2 billion, an increase of 11% from last year, propelled by robust Q4 performance with revenue of \$1.2 billion, up 18% year-over-year. Customers are choosing NetApp to power their most mission-critical workloads, and our momentum in this segment is a testament to the strength of our innovation and go-to-market execution.

A prime example of this is a European aerospace company that chose NetApp, displacing competitors in a greenfield win. The data management capabilities of NetApp all-flash arrays stood out for their high performance, cyber resilience and ransomware protection, as well as seamless integration with a broad ecosystem of partners.

Our comprehensive solution delivered the security, simplicity, and strategic value needed to support critical initiatives.

Revenue from our Keystone storage-as-a-service offering grew approximately 65% from FY25, as more customers embraced the flexibility and simplicity of a cloud-like experience for their on-premises data. This momentum reflects the broader shift toward consumption-based IT models and our ability to meet customers wherever they are on their transformation journeys.

A leading manufacturer chose NetApp Keystone with all-flash and StorageGRID to support its AI strategy, requiring a secure, flexible platform for massive datasets. Keystone delivers secure, governed self-service at scale, enabling rapid collaboration and predictable, on-demand performance. Our unified platform streamlines data management with multi-protocol support, native S3 tiering, and cloud integration for maximum efficiency.

AI was a clear growth engine for us in FY26. We had approximately 500 AI and data preparation wins in Q4 alone, bringing the FY26 total to over 1,100. Our ability to help customers operationalize AI at scale, accelerate time-to-insight, and drive real business outcomes is putting us increasingly at the center of our customers' AI journeys.

In FY26, we furthered our AI innovation, launching next-generation solutions including AFX and AI Data Engine, which are seeing strong early momentum and positive feedback from customers and partners. Additionally, we announced enhancements to the performance and capabilities of our all-flash arrays and expanded our converged AI solutions. These offerings help organizations simplify their AI infrastructure, eliminate silos, and accelerate their data pipelines—reinforcing NetApp's role as the data infrastructure platform for AI.

Let me walk through a couple additional customer wins that spotlight NetApp's competitive advantages.

A European government agency required real-time situational awareness with ultra-fast, latency-free data processing. NetApp's disaggregated AFX solution for their Nvidia SuperPOD environment enabled independent scaling of compute and storage, delivering flexible, future-proof infrastructure. Our rapid execution and expertise empowered a robust, mission-critical AI platform to meet evolving operational demands.

A global financial leader signed a \$20 million deal with NetApp to accelerate its AI-driven fraud detection and customer personalization. NetApp's GPU-ready, low-latency data-lake platform delivers high-performance access to multi-petabyte datasets, enabling global real-time fraud scoring, continuous model retraining, and robust enterprise governance and resiliency.

It's high impact wins like these that helped us achieve record-setting results while navigating a dynamic macro environment. We are managing rising memory and component costs by working closely with our supply chain partners and adjusting pricing to balance growth and margins. Data generation continues unabated, and customers

need solutions that best optimize performance and cost. Our ability to offer a broad range of solutions with flexible purchasing options—including cloud, Keystone, and hybrid flash—strengthens our competitive position, resilience and flexibility.

FY26 also set a new bar for cash generation. Our strong free cash flow enables us to invest in innovation while returning value to shareholders through dividends and share repurchases. We remain committed to disciplined capital allocation and long-term value creation.

I want to thank the entire NetApp team for their customer-centric focus and hard work in FY26. It was a year of strong execution, innovation, and accelerating growth — clear proof that our strategy is working and our portfolio is resonating in the market. The investments we made this year have expanded our opportunities and set a solid foundation for future growth.

Looking ahead, we are encouraged by the robust demand signals we are seeing and are confident in our ability to maintain this momentum, as reflected in our FY27 outlook. Our hybrid multicloud leadership, differentiated AI offerings, and flexible storage and consumption offerings position NetApp for continued success as customers accelerate their data-driven AI transformations.

With that, I'll turn the call over to Wissam.

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

In the fiscal fourth quarter, we delivered strong results, exceeding the high-end of both the revenue and EPS guidance ranges. Revenue for the quarter was \$1.95 billion, up 12% year-over-year and 14% sequentially. Non-GAAP earnings per share was \$2.43, up 26% year-over-year.

Excluding the divested Spot business, which generated \$9 million of revenue in the fourth quarter of the prior year, revenue grew 13% year-over-year. Revenue was up 10% year-over-year excluding the effect of foreign currency exchange rates, which had little impact relative to guidance. This marks our tenth consecutive quarter of year-over-year revenue growth.

Looking at revenue by segment, Hybrid Cloud revenue of \$1.77 billion was up 13% year-over-year. Product revenue of \$966 million was up 14% year-over-year, driven by the execution of a multi-year agreement with Google Cloud to deliver secure, AI-ready data infrastructure to Google Distributed Cloud environments. In prior quarters, we mentioned the potential for large deals to materialize in the second half of fiscal year 2026, and this came to fruition in Q4. Support revenue of \$688 million was up 10% year-over-year, partly driven by a one-time item. Professional Services revenue of \$112 million was up 14% year-over-year, mainly driven by growth in Keystone, our storage-as-a-service offering which continues to build momentum.

Q4 Public Cloud revenue of \$182 million was up 11% year-over-year. Excluding Spot, Public Cloud revenue grew 18% year-over-year driven by strong demand for first-party and marketplace storage services.

We exited fiscal year 2026 with \$4.85 billion in deferred revenue, an increase of 7% year-over-year and 6% year-over-year in constant currency. Remaining Performance Obligations were \$5.65 billion, up 14% year-over-year. Unbilled Remaining Performance Obligations, a key indicator of future Keystone storage-as-a-service revenue growth, were \$807 million, up 88% year-over-year. This outperformance was driven by an increase in Support performance obligations associated with the Google agreement, as well as Keystone unbilled RPO, which grew at a similar rate to the prior quarters on a year-over-year basis.

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

Q4 gross margin was 70.5%, up 100 basis points year-over-year, driven by Public Cloud gross margin expansion. Gross profit was \$1.37 billion, up 14% compared to Q4 2025.

Hybrid Cloud gross margin was 69.0%, down 60 basis points sequentially due to higher product revenue in the quarter. Product gross margin was 56.1%, up 80 basis points sequentially due to the benefit from the Google enterprise agreement offsetting higher component costs. Our recurring support business continues to be highly profitable, with gross margin of 93.0%. Professional Services gross margin was 32.1%, improving 80 basis points sequentially.

Public Cloud gross margin was 85.7%, up 60 basis points sequentially and over 6 percentage points year-over-year. The Public Cloud business has operated within the 80-85% long-term target range in the first half of the fiscal year, and above the high-end of the range in the last 2 quarters.

Operating expenses of \$750 million, were up 6% year-over-year and 9% sequentially.

Operating income was \$624 million, up 26% compared to Q4 2025, and operating margin was 32.0%, up 340 basis points year-over-year, both all-time records driven by higher revenue.

Earnings per share was \$2.43, up 26% year-over-year, and exceeding the high-end of the 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 for quarterly operating income and EPS.

In Q4, cash flow from operations was \$950 million and free cash flow was \$900 million, both up over 40% year-over-year, and all-time records. These strong cash flow metrics were driven by increased collections from higher billings.

During the fourth 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 cents per share. Q4 diluted share count of 199 million decreased by 7 million shares, or 3% year-over-year.

At the end of the fiscal year 2026, there was approximately \$500 million remaining from our current share repurchase authorization, and today, we are announcing an increase in that authorization by \$1.0 billion.

Moving to a review of our results for the full fiscal year 2026.

Revenue of \$6.93 billion was up 5% year-over-year, exceeding the high end of our guidance range. Excluding the divested Spot business, revenue was up 7% year-over-year and in line with our long-term target model. Our strict focus on operating leverage allowed us to drive bottom line profitability at a faster pace, all contributing to record highs in operating margin, EPS and cash flow.

Gross margin was 71.3%, up 20 basis points year-over-year, driven by Public Cloud and Professional Services gross margin expansion, and partially offset by lower Product gross margin.

Operating margin was 30.2%, up 190 basis points year-over-year, driven by 1% year-over-year growth in operating expenses relative to 5% year-over-year revenue growth. Full year EPS totaled \$8.13, up 12% year-over-year, more than double the rate of revenue growth.

Operating cash flow was \$2.07 billion and free cash flow generation was \$1.87 billion, up close to 40% year-over-year, primarily due to stronger cash collections and net working capital benefits.

Our balance sheet remains very healthy, as we returned a total of \$1.36 billion in value to our shareholders through share repurchases and cash dividends, all as we continue to invest in the next generation of AI data solutions. We closed the year with \$3.58 billion in cash and short-term investments and \$2.49 billion in gross debt outstanding, resulting in a net cash position of \$1.1 billion. Inventories expanded both year-over-year and quarter over quarter. Inventory turns decreased sequentially to 12.

Now turning to non-GAAP guidance, starting with fiscal year 2027.

Let me begin by underscoring the confidence in our strategy and in the strength of our position as we address key customer priorities. Our guidance reflects a solid underlying enterprise IT demand environment, with enterprise AI activity increasing relative to fiscal year 2026. At the same time, we recognize the potential for pockets of demand

driven by accelerated purchasing. We also remain focused on adjusting prices as needed to track any material movements in memory and component costs, while maintaining a disciplined balance between growth and margin.

On that basis, we expect fiscal year 2027 revenue to be in the range of \$7.325 to \$7.575 billion dollars. At the \$7.45 billion midpoint, this implies 8% year-over-year growth, representing an acceleration from the 5% growth we successfully delivered in fiscal year 2026.

We expect gross margin to be in the range of 68.5% to 69.5%.

We expect operating margin to be in the range of 29.1% to 30.1%.

For the full year, we expect the effective tax rate to be in the range of 20% to 21%.

We expect EPS to be in the range of \$8.70 to \$9.00. At the \$8.85 midpoint, this represents 9% year-over-year growth.

In fiscal year 2027, we intend to return up to 100% of free cash flow to shareholders through cash dividends and share repurchases. We also expect to reduce share count by low-single-digit percentage points year-over-year.

Now turning to Q1 guidance. As a reminder, Q1 includes an extra week, which is expected to contribute approximately \$65 million of revenue, primarily in Support and Cloud, with a minimal impact on Product, and to add \$21 million of operating expenses.

We expect revenue to be in the range of \$1.75 billion to \$1.90 billion. At the \$1.825 billion midpoint, this implies 17% year-over-year growth.

We expect gross margin to be in the range of 69.1% to 70.1% and operating margin to be in the range of 28.4% to 29.4%.

We expect EPS to be in the range of \$2.05 and \$2.15, with a midpoint of \$2.10.

In closing, as we look ahead to fiscal year 2027, we are confident in our strategy and execution capabilities. We remain focused on delivering revenue growth and profitability, increasing free cash flow, and creating sustainable long-term value for shareholders.

With that, I'll turn the call over to Kris for Q&A.

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