Paul Ziots - VP Investor Relations

Thank you. Good afternoon everyone and welcome to Everpure's first quarter fiscal year 2027 earnings conference call.

On the call we have Charlie Giancarlo, Chief Executive Officer, Tarek Robbiati, Chief Financial Officer, and Rob Lee, Chief Technology and Growth Officer. Following Charlie's and Tarek's prepared remarks, we will take questions.

Our press release was issued after close of market and is posted on our website where this call is being simultaneously webcast. The slides that accompany this webcast can be downloaded at investor.everpuredata.com.

On this call today, we will make forward-looking statements, which are subject to various risks and uncertainties.

These include statements regarding our financial outlook and operations, our strategy, technology and its advantages, our current and new product offerings, our ability to procure a sufficient supply of components and manage our supply chain, our hyperscaler opportunity, and competitive, industry and economic trends.

Any forward-looking statements that we make are based on facts and assumptions as of today, and we undertake no obligation to update them.

Our actual results may differ materially from the results forecasted, and reported results should not be considered as an indication of future performance. A discussion of some of the risks and uncertainties relating to our business is contained in our filings with the SEC, and we refer you to these public filings.

During this call, all financial metrics and associated growth rates are non-GAAP measures other than revenue, remaining performance obligations or RPO, and cash and investments. Reconciliations to the most directly comparable GAAP measures are provided in our earnings press release and slides.

This call is being broadcast live on the Everpure Investor Relations website and is being recorded for playback purposes. An archive of the webcast will be available on the IR website and is the property of Everpure.

Our second quarter fiscal 2027 quiet period begins at the close of business Friday, July 17, 2026.

With that, I'll turn it over to Charlie.

Charlie Giancarlo – CEO

Thank you, Paul.

Good afternoon everyone and welcome to Everpure's Q1 fiscal 2027 earnings call. Q1 was another outstanding and a truly remarkable quarter, reflected in the strength of both top and bottom line. Revenue growth of 35% year on year is a very strong start to our Fiscal Year 27. Operating profit nearly doubled year-over-year to $159 million. Sales momentum started off strong, and continued to build throughout the quarter. Revenue and operating profit exceeded the high end of our guidance range and we foresee continued strength throughout the year as will be seen in our revised full-year guidance.

Undoubtedly, much of the recent strength in the market has been kindled by the current supply chain crisis, but our strength is also driven by increased win rates for our solutions in contested opportunities. Our market share gains are accelerating as customers increasingly adopt Everpure as their preferred vendor for data storage and management.

Growth was driven by broad-based strength across our core businesses and geographies. Large deals above $5 million were up in high double digits compared to prior year, and our commercial business also showed strong momentum. New customer logos were up 20% year-on-year. We also achieved significant marquee expansions, including a global financial services customer that relies on Everpure as foundational infrastructure for private cloud environments across virtualized and

Kubernetes-based workloads. It highlights the strength of our platform as customers bridge traditional and modern application architectures.

As expected, Q1 included relatively little revenue associated with our hyperscale products. As discussed last quarter, we expect hyperscale product revenue to rise significantly in Q3 and Q4, based on customer order commitments.

In the AI space, FlashBlade//EXA scored more wins this past quarter including application in AI Machine Learning and financial services GPU-accelerated trading applications. One FinTech customer using advanced GPU-based AI modeling for algorithmic trading on global financial markets selected FlashBlade//EXA for their high-performance AI infrastructure. The firm has processed more than 13 million transactions during their peak trading day, underscoring the performance and consistent reliability that FlashBlade//EXA delivers in data-intensive AI environments.

More broadly, we are now beginning to displace competitive AI storage products in the enterprise and Neo-cloud markets as customers transition to our FlashBlade family for its unmatched performance, operational simplicity, flexibility, and overall quality.

As Tarek will explain, current sales performance has been positively affected by industry-wide cost and price increases. In my over 40 years in technology, I have never seen another supply chain situation remotely like this. Obviously, these price increases are of great concern to our customers.

Consequently, on April 23 we published a letter to customers explaining our position and philosophy during this supply chain crisis. In particular, we wanted our actions and intentions to be clear and transparent. In the letter we reassured our customers that we would share the cost pain with them and not seek to profiteer from the crisis. To this end, we have carefully managed our component supplies to enable us to hold off price increases until far later, and far less than, competitive price raises. As mentioned last quarter, we are choosing to operate at the lower end of our Product Gross Margin range to help our customers while component costs escalate.

We expect product gross margins will begin to recover in the second half of our year, but the recovery is likely to be gradual as costs continue to rise.

The current environment has enhanced the benefits of our Evergreen//One storage as a service offering. Evergreen//One benefits from longer contracts, lower upfront costs and longer lifetimes. This allows us to blend costs over many years, leading to more stable and lower operating costs for customers. An increasing number of customers are choosing Evergreen//One to enjoy the benefits of Everpure. Evergreen//One sales were up 73% year on year in Q1 reflecting greater customer appreciation for the operational and financial benefits of our Storage as a Service model.

Our Enterprise Data Cloud strategy continues to gain momentum. Purity Fusion adoption, which enables customers to build their own data clouds, doubled in Q1, with more than 1,200 customers. Wins and expansions include CardConnect, a subsidiary of FiServ, and e& (formerly Etisalat), as well as a leading North American financial institution and a large Asian healthcare IT provider. This growth reflects rising customers interest in developing their own Enterprise Data Clouds and reinforces Purity Fusion's strategic role within Everpure's architecture.

One state Department of Revenue, which processes more than $9 billion annually, told us that Fusion gave them the ability to scale and manage infrastructure with the simplicity of the cloud, but within their own data centers. It allows their staff to provision with confidence, while providing more time for higher-value strategic work.

Our acquisition of 1Touch, which closed earlier this month, will expand Everpure's opportunity to help customers manage their enterprise data. 1Touch enables customers to better manage all of their data, whether on Pure products or not, both on prem and in the cloud. This technology allows customers to build full data catalogs across all enterprise data, add semantics, as well as full ontologies and knowledge graphs to comprehensively manage their global enterprise data. These capabilities will enable customers to reduce the number of copies of similar data, increase the utility and quality of their data and reduce the cost of data preparation for AI and analytics.

Regarding our hyperscale business, our solution continues to make steady progress with an expanding set of Hyperscale, Cloud and large Tech Titan customers due to its enhanced efficiency, flexibility and reliability. We are currently investing significant resources in system qualification with multiple prospects. As stated previously, we expect to significantly expand shipments of our hyperscale product in the second half of this year and even further next year.

We look forward to providing more details on our product advancements, particularly our expansion into advanced data management, at our upcoming //Accelerate conference in June, as well as at our Financial Analyst meeting scheduled for September 23, here in Santa Clara.

We continue to operate in a very dynamic macro environment. The current supply chain crisis, created by seemingly insatiable AI demand, has entirely eclipsed the tariff crisis of last year. Costs and component shortages now change rapidly and are challenging to predict with any degree of certainty. We have confidence in our ability to weather these challenges better than most, because of our architectural advantages, strong engineering and supply chain capabilities, and our excellent supplier relationships.

The current market turmoil has highlighted the importance of trust and transparency and has separated true partners from profiteers. We are building Everpure to be a long-term trusted partner with customers, channel partners, suppliers, employees and our long-term shareholders.

I will now turn the call over to Tarek to provide greater insight into our performance and our expectations for the remainder of the year.

<u>Tarek Robbiati - CFO</u>

Thank you, Charlie.

Q1 was an exceptionally strong quarter for Everpure, highlighted by revenue growth of 35 percent year-over-year and operating profit growth of more than 90 percent, both surpassing the high end of our guidance range. Performance was broad-based across our core business segments and geographies and, as expected, we had a minimal contribution to product revenues from hyperscalers in the quarter.

We expanded the number of customers transacting during the quarter while delivering solid execution on large-scale opportunities.

Product revenue, which includes revenues from hyperscale shipments, as well as a portion of Portworx software revenue when sold as term licenses, grew 55 percent year-over-year to $577 million.

Our Q1 results reflected the combined impact of higher pricing and some degree of customer purchase acceleration, as customers moved proactively to secure product availability and mitigate anticipated future price increases amid ongoing supply constraints.

We entered Q2 with a strong pipeline and continue to see healthy demand trends across the business. Based on this momentum, we expect continued strength throughout the year, as reflected in our increased full-year guidance.

FlashBlade//EXA continued to gain traction, delivering a number of new wins including deployments supporting AI and machine learning applications, as well as GPU-accelerated trading environments within financial services. While still in early stages, we are seeing strong engagement and active discussions with dozens of prospective customers across the AI ecosystem.

Our market share gains are accelerating, driven by strong competitive win rates across Enterprise and Commercial businesses, and an increased rate of competitor displacements thanks to our unique ability to support practically all storage needs and use cases.

In Q1 we expanded our customer base by 275 new customers and our penetration of the Fortune 500 now stands at 64 percent. We also added 223 new logos in our commercial business, which attests to the strength of our business across all segments.

We completed the acquisition of 1touch on May 7, and are actively integrating the technology into our platform to further enhance our capabilities in preparing and managing data for AI-driven applications. We are very excited to welcome the 1touch team to Everpure.

Together, Everpure and 1touch will enable customers to focus on readying infrastructure for AI and unlocking the strategic value of their data. This combination strengthens our ability to help organizations maximize the value of their data assets in an increasingly AI-centric environment.

As a reminder, we expect 1touch to be approx. $12 million dilutive to Operating Profit in FY27, and to become accretive to Operating Profit within 24-months from the acquisition on a post synergies basis.

Turning to margins and profitability, total gross margin was 70.1 percent, while subscription services margin was 75.6 percent.

Product gross margin stood at 65.5 percent, in line with our long-term range of 65-70%, representing an increase of 150 basis points year-over-year, and a decrease of 180 basis points sequentially.

As foreshadowed in our Q4 earnings call, the sequential change in product gross margin was primarily driven by increased commodities costs, partially offset by price increases, and shifts in customer and product mix toward higher-performance flash arrays and blades. As anticipated during our last call, the revenue contribution from our hyperscale business in Q1 was minimal, and we continue to expect the significant majority of Hyperscaler revenue in H2 FY27.

We expect aggregate product gross margins to improve in the second half of the year, supported by the contribution from hyperscaler revenues which we expect to yield 75%-85% gross margins. However, the recovery of product gross margin excluding the contribution from hyperscalers is expected to be gradual as pricing actions continue to catch-up with ongoing, volatile, and rapidly rising input costs.

Operating profit of $159 million grew over 90 percent year-over-year resulting in an operating margin of 15.1 percent. Strong revenue growth and operational discipline drove this excellent performance.

Moving on to our subscription business, Q1 subscription services revenue of $476 million increased 17 percent year-over-year accounting for 45% of total revenue. Our Annual Recurring Revenue (or ARR) grew 19 percent to over $2 billion, which represents a sequential acceleration of nearly 300 basis points from Q4 2026 growth levels.

Consistent with last quarter, our Remaining Performance Obligations (or RPO) grew 41 percent to $3.8 billion, driven by the execution of large deals and strength of our Evergreen//Forever and Evergreen//One offerings.

TCV sales for our Storage-as-a-Service offerings of $165 million grew 73% year-over -year.

The recent supply chain pricing environment has reinforced the value proposition of our Evergreen//One Storage-as-a-Service offering, which has experienced significantly lower price increases compared to traditional product sales. Evergreen//One benefits from longer-term contracts, reduced upfront costs, and extended asset lifecycles, enabling us to spread costs over multiple years and deliver more predictable, cost-efficient operating models for customers driving strong year-over-year growth momentum.

With respect to our geographic mix of revenues, U.S. revenue was $739 million, growing 39 percent and international revenue was $314 million growing 27 percent year-over-year. International revenue represented 30 percent of total revenue in Q1 2027.

Scaling our international presence represents a significant opportunity and a key strategic focus for the company.

Moving on to our balance sheet, our balance sheet remains robust with over $1.5 billion in cash and investments at the end of the quarter.

Cash flow from operations was $180 million impacted by elevated sales activity, including higher commission payments pertaining to Q4 overachievement driven by the strong demand environment, as well as merit bonus payments.

Capital investments were $68 million, representing approximately 6.5 percent of revenue for the quarter. Our capital investments supported the continued scaling of our hyperscale business as we ramp up investments to qualify more NAND for various Hyperscalers, Tech Titans and Cloud Providers and accelerate growth of our Evergreen//One subscription offering.

As a result, Free Cash Flow was $112 million.

In Q1, we repurchased 1.3 million shares, returning approximately $84 million to shareholders. We also paid $101 million in withholding taxes on employee awards, offsetting dilution of approximately 1.6 million shares.

We currently have about $245 million remaining under our existing $400 million repurchase authorization announced in Q4FY26.

Finally, our headcount increased sequentially by 211 employees, bringing our total headcount to 6,600 employees.

Now turning on to guidance.

As I mentioned earlier, a portion of this year's strength comes from the current supply chain environment. The sudden, sharp and continuing rise in the costs of components has forced the entire high-tech industry to raise prices. Price increases have led to higher sales per unit and customer pull-ins to buy ahead of future price increases. We estimate that these two effects represented nearly a third of our Q1 year-on-year revenue growth, and will continue to drive performance in future quarters this year.

The strength of our Q1 results, good short-term pipeline visibility in Q2 and continued momentum we are seeing across our customer base gives us confidence to increase our full year guidance.

For Q2, we anticipate revenue to be in the range of $1,095 million to $1,105 million representing approximately a 28% percent year-over-year increase at the midpoint. We expect operating profit to be in the range of $195 million to $205 million representing approximately a 54% percent year-over-year increase at the midpoint.

Again, I would like to remind everyone that we continue to expect hyperscale product revenue to rise significantly in Q3 and Q4, based on customer order commitments.

Consequently, for FY27, we anticipate revenue to be in the range of $4.41 billion to $4.51 billion representing a 22 percent year-over-year increase at the midpoint; this is a 300 basis points increase from our previously provided revenue guidance of 19 percent year-over-year growth. We expect operating profit to be in the range of $820 million to $860 million representing approximately a 32 percent year-over-year increase at the midpoint; this is more than 600 basis points increase from our prior provided operating profit guidance.

In terms of seasonality, we entered FY27 with very strong momentum and are executing extremely well in a difficult supply chain environment. The current full year guide indicates that 48% of our revenues will be generated in H127 compared to 45% in prior years.

I would like to finish by saying that our execution focus is a balancing act between short-term pipeline generation to improve visibility and drive sales on a quarterly basis, while keeping an eye on sustainability of demand in H2 2027 and beyond.

As Charlie said, we are not looking to profiteer from this crisis and have been prudent with our price increases and consistent with terms and conditions offered to customers, in order to continue to enhance our market share and protect the franchise for the long-term.

In normal circumstances, such strong momentum in H1 revenue in our core enterprise and commercial business would drive a higher full year guide with a seasonality akin to prior years. However, in today's highly dynamic environment, it is too early to call for further upside to our guide in 2HFY27 as market participants adjust to price levels that are unprecedented globally. Yet, we continue to be confident in our ability to execute our priorities this year and beyond.

With that, I'll now turn the call back to Paul for Q&A.

Charlie Giancarlo – CEO

Before we close, I want to thank our customers for their trust, our employees for their dedication, our partners and suppliers for their collaboration, and our investors for their continued confidence.