Paul Ziots - VP Investor Relations

Thank you. Good afternoon everyone and welcome to Everpure's second 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 third quarter fiscal 2027 quiet period begins at the close of business Friday, October 16, 2026.

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

Charlie Giancarlo – CEO

Thank you Paul.

Good afternoon everyone and welcome to Everpure's Q2 fiscal 2027 earnings call. Q2 was another outstanding and remarkable quarter, we exceeded our guidance range and all key company metrics. Revenue growth of 38% year on year continued our 30+% growth performance since Q4. Operating profit surged 77% to $230 million year on year. Growth was broad based across all geographies, products and business segments. Strong sales momentum carried over from Q1 and continued to build throughout the quarter.

Additionally, TCV for Evergreen//One has accelerated to a billion-dollar run rate for Fiscal Year 27, which indicates that our market share gain momentum is even greater than our revenue growth implies. We have seen our revenue growth accelerate, consistently and steadily, over the last 8 quarters, and we now believe that this higher growth rate will be sustainable for some time. Based on current demand signals and win rates, we believe we will see sales and market share strength continue into next year, as you will see in our revised full-year guidance.

Only some of our growth acceleration can be attributed to price increases as our growth is far beyond that of our legacy competitors. We believe that we have entered into breakout territory in our core enterprise market, because of the steady progress we have made in building out our product line and architecture.

I am going to speak to you today about four areas that underpin our confidence in our long-term growth. First, the cause and foundation for the acceleration of our growth and market share in our core market. Second, how the current pricing environment advantages our technology and company. Third, our growth opportunity in new areas of business, such as AI, data management, and modern apps and virtualization. And fourth, our growing hyperscale opportunity.
First, let's look at what's driving our growth. Everpure has spent the last decade expanding beyond our groundbreaking FlashArray product to serve every storage segment, from backup to AI, from TeraBytes to ExaBytes, all on a single, unified software foundation, Purity. Purity unifies block, file, and object, it drives DirectFlash, and allows our customers to benefit from products that never grow old, with its unique Evergreen capability that promises non-disruptive upgrades forever.

For example, one of Europe's largest telecom operators, a long-standing customer, enjoys flexible scaling without disruptive hardware refreshes, significantly lowering their total cost of ownership.

During the last decade we also invested in the ability to have our capabilities offered as a service with Evergreen//One and offered on the cloud with Everpure Cloud Storage. As a senior executive from a fast-growing global managed service provider stated: "We chose Evergreen//One because it gives us predictable, consumption-based economics, and lets us expand capacity and performance as customers demands change. With Everpure managing the underlying infrastructure and lifecycle, our teams can spend less time maintaining storage and more time delivering reliable, high-value services to our customers". That's why they've fully embraced our SLA backed Evergreen//One model.

We alone allow our customers to operate our systems as their own global Enterprise Data Cloud with Everpure Fusion. And now we are enabling our customers to contextualize their data to make it AI-Ready with Data Intelligence, from our 1Touch acquisition.

Since our very first product, industry analysts have recognized Everpure as an innovation and customer leader. Just last week, Gartner validated that momentum, once again positioning Everpure highest in execution and furthest in vision in their 2026 Magic Quadrant for Enterprise Storage Platforms.

Alongside that innovation, we have scaled and developed our go-to-market engine and strategy to become a top-tier competitor across mid-market, enterprise and government markets globally. Our brand reputation has expanded to where every customer needs to consider Everpure as a supplier in every area of data storage.

It is the combination of all of these factors that has brought us to this point, where our growth has re-accelerated, and it gives us the confidence that this higher growth rate will endure for some time.

Next, let's address the current pricing environment, and why it directly advantages Everpure. The rapid increase in semiconductor demand and cost continues to affect our industry in multiple and complex ways. This quarter we saw the predicted effect of increasing prices on both sales and demand. Customers transacting now are paying more for less capacity, while others are increasingly adopting our as-a-service model. For example, this quarter the University of Western Australia expanded its Evergreen//One footprint with us, enjoying the ability to scale its storage on demand while managing costs efficiently. Evergreen//One has grown substantially in this environment and is now on a TCV (total contract value) run rate in excess of a billion dollars this year.

Everpure's advantages in flash technology, lower operational labor costs, and leadership in our storage as a service offerings are providing us with outsized market share gains in this high-cost environment. And our decision to honor our past and existing commitments, share the burden with our customers, and operate at the lower end of our product gross margin range while component costs escalate, has solidified our relationships with both customers and channel partners. Adjusting for the acceleration of Evergreen//One, which dilutes reported near-term revenue growth numbers, we are growing well above 40% year over year, far exceeding the market and our data storage competitors.

Beyond our core portfolio, we're opening up major new avenues for growth and expanding our market opportunity. The growth of AI is focusing customers, more than ever, on how they manage their data. At our June //Accelerate user conference we introduced the concept of Data Primacy, which will be the future of IT architectures in the AI era. Data Primacy posits that for organizations to streamline their operations and make their data AI-ready, they need to rationalize and structure their data into sources of truth and systems of record. Data Primacy will enable enterprises to take control of their own data, manage it strategically in their own data cloud, and provide governed access to their data, and its context, to their chosen AI services providers.

Interest in Everpure Data Intelligence, which includes capabilities from our 1Touch acquisition, is off the charts. Every customer we meet identifies with the core issue facing them in their use of AI - namely, that their internal data is far too fragmented to be immediately useful for the AI future. Fragmented and inconsistent data leads to lots of manual reconciliation and incorrect results. While a 95% accurate answer to an AI search prompt can be considered a great result, a 95% accurate invoice is unacceptable. Businesses require 100% accuracy in their financial and business operations. 100% accuracy depends on data that is unambiguous.

Everpure Data Intelligence allows enterprises to find their distributed sources of data, discover their semantics and context, and deliver a shared context between the different data sets. It can find both the similarities and the discrepancies between individual data elements and make this available explicitly to the organization. Most importantly, it allows the enterprise to control these capabilities themselves, rather than trusting their data and context to third parties, while enabling selective access to their AI service partners. This puts the enterprise in control and gives them full sovereignty over their own data. It is the first step to Data Primacy and it is an exciting new area of growth for Everpure.

Our Enterprise Data Cloud strategy continues to advance with over 2,000 of our 15,000 customers now enabled with the capability. Customers appreciate the ability to set policy for their global storage fleet and have the systems automatically and reliably configured to comply with their company policies without error. Our Pure1 co-pilot lets customers monitor, diagnose issues, and deploy changes fleet-wide making global data management easier, more consistent, and more secure.

We continue to scale sales of our products supporting the AI needs of both Enterprise and large-scale AI neoclouds. This quarter, Samsung Electronics chose FlashBlade//S to support its advanced AI and research initiatives. And a major global bank selected FlashBlade//S to standardize their internal GPU-as-a-service, and agent development and deployment environments. Everpure Data Stream, our offering built on NVIDIA's AI Data Platform, was released for general availability and saw its first sales in the quarter. One of the largest trial court systems in the US selected Data Stream to streamline and automate AI-accelerated analysis of petabytes of unstructured data, saving hundreds of hours of specialized labor, and transforming decades of court records into an AI-ready knowledge base while meeting the court's strict data privacy requirements.

FlashBlade//EXA, designed for the highest-performance needs of large-scale AI, continues to expand. An international high-performance and AI computing provider selected //EXA for their highest-performance AI training environments. And STN, a large AI managed service provider, expanded its FlashBlade//EXA investment to support growing customer demand. //EXA gives STN the world's highest performance and scalability, while simplifying operations. FlashBlade//S and FlashBlade//EXA in combination, uniquely position Everpure to meet customers' AI needs from the smallest Enterprise AI environments to the largest neoclouds and everything in between. We have seen a steady increase in GPU attachments for our FlashBlade products across this spectrum.

We see growing traction in our virtualization solutions as customers evolve their VM estates. Everpure continues to help customers optimize their VMware footprint with VCF, while adoption for non-VMware modern virtualization solutions such as Portworx with RedHat Openshift, and Nutanix virtualization, continue to grow. Everpure has been named Technology Partner of the Year by both Redhat and Nutanix, and our VMware alternative solutions have grown to well over a $100M per year run rate.

As we announced on August 10, we are pleased to have achieved a design win and signed a supply agreement with a second top-5 hyperscaler for our hyperscale products. This newly signed agreement will begin to generate significant revenue in FY28 and beyond. As discussed in previous quarters, we expect hyperscale product revenue to rise significantly in Q3, growing in Q4 and in the years ahead.

This win confirms DirectFlash's value proposition in massive scale environments with customers that build their own storage services. DirectFlash is software-defined flash: streamlined, efficient, advanced software providing media management, resiliency, performance, quality and reliability, paired with reliable hardware. Moving the complexity out of black-box SSDs and HDDs lets hyperscalers optimize storage for their workloads, delivering industry-leading density, power, cooling, and lifetime. DirectFlash provides customers the flexibility to evolve and qualify faster as their infrastructure scales and enables a resilient supply ecosystem across a range of flash technology.

With this second top-5 hyperscaler signed, and other prospects in progress, we will now refer to our sales and strength in this business in terms of our Hyperscale Solutions as a whole, rather than referring to any specific customer, customer details or prospect timeframes.

We expect large hyperscaler order commitments for our DirectFlash solution to extend into calendar 2028 powering 10's of EB capacity, representing a multiple of our expectations for this year.

Our estimates and committed order volume for total sales to hyperscalers through both FY27 and FY28 continue to grow and will be incorporated and consolidated into our product revenue and guidance reporting.

We look forward to providing more details on our product advancements, particularly our core growth and expansion into new areas, including advanced data management, at our upcoming International //Accelerate conferences starting in September, 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, and a tight supply market. Yet demand for our products is strong even amid substantial price increases across the industry. This is another of many reasons why we feel fully confident in our growth, our strategy, and our future.

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.

Tarek Robbiati - CFO

Thank you, Charlie.

Q2 was another outstanding quarter for Everpure and represents an important milestone in our growth journey. Year over year, Revenue increased 38 percent, while operating profit grew 77 percent, with both metrics exceeding the high end of our guidance range. In addition, this marked our third consecutive quarter with performance above the Rule of 40, underscoring our ability to deliver both strong growth and profitability.

Importantly, our performance was not driven by any single product, customer or geography. Growth was broad-based across our business, with strength across all major geographies, product categories and business segments, and the sales momentum we experienced in Q1 continued into Q2.

As we look ahead, we believe the fundamentals supporting our business are more than ever firmly in place. We are entering Q3 with a healthy pipeline, strong customer engagement and continued momentum across the organization.

As a result, we are raising our full-year revenue growth guidance substantially to reflect the strength of our execution and the confidence we have in our outlook for the remainder of the fiscal year. More on that later.

In addition to our excellent financial performance in Q2, on August 10, we announced that we secured a design win and supply agreement with a second top-five hyperscaler. This achievement represents a significant validation of our technology and strategy.

Securing a second top-five hyperscaler reinforces the compelling economic, operational and performance advantages of our DirectFlash technology and demonstrates the growing recognition of our differentiated architecture in the world's most demanding data infrastructure environments.

As we noted in our August 10 announcement, we expect only a de minimis revenue contribution in FY27 from this new agreement, and anticipate a meaningful ramp beginning in FY28, with revenue continuing to scale in subsequent years. Importantly, this agreement marks another inflection point for our hyperscale products and provides another long-term growth opportunity for the business.

Now let’s dive deep into our Q2 performance. The exceptional momentum we experienced in our core in Q2 was driven by a combination of pricing, mix shift and capacity growth, offsetting lower system unit volumes.

Our ability to implement price increases while continuing to drive demand demonstrates the strength of both our technology and our customer relationships. We saw particularly strong demand from large, established enterprise customers, many of whom were willing to absorb higher costs to secure access to our solutions.

In fact, we are operating at a pricing level that we have not seen in ten years. Even as we tested higher price points, demand remained resilient, particularly among our top-tier enterprise customers, reflecting both the mission-critical nature of our solutions and the value customers place on our differentiated offerings.

Product revenue increased 54 percent year over year to $687 million. As expected, hyperscaler revenue contributed only minimally during Q2. It is worth noting a couple of observations that attest of the overall strength of demand for our products:

First, customers are buying fewer solutions at higher prices.

Second, we have observed a mix shift to higher performance configurations with TB capacity up across our portfolio.

Third, in terms of deal sizes, deals above $5M grew 59% and deals above $20M grew a whopping 385% year on year.

Finally, sales of our Evergreen//One solution have grown significantly higher than product sales, indicating even stronger growth than appears in our current revenue numbers.

Overall, Q2 demonstrated the strength of our business model, the durability of demand across our customer base and our ability to execute in a dynamic market environment.

We remain focused on sustaining this momentum as we continue to expand our market opportunity, deepen customer relationships and drive long-term profitable growth.

Turning to our Storage-as-a-Service business, we continue to see exceptional momentum, particularly within Evergreen//One.

Evergreen//One total contract value, or TCV, has accelerated to an annualized run rate of above $1 billion dollars for FY27.

Evergreen//One performance in Q2 was driven by a combination of both velocity deals (those below $5 million dollars) and large enterprise agreements, highlighting broad-based customer adoption.

The current pricing environment has further strengthened the value proposition of Evergreen//One.

Unlike traditional product sales, which can be more directly affected by component cost fluctuations, Evergreen//One is built on long-term customer commitments with lower upfront capital requirements.

With EG//1 customers can ramp into growth and are billed on a consumption basis, which allows them to better match expense outlays to the growth of their solutions. These characteristics provide customers with a more predictable and cost-efficient operating model. Importantly, and because we control the configurations of the solutions that underpin the Evergreen//One SLA-based contracts, we were able to contain price increases for EG//1 well below the price increases of traditional product purchases, making the offering even more compelling in the current environment.

As a result, TCV for our Storage-as-a-Service portfolio, which includes Evergreen//One, increased 121 percent year over year to $277 million in Q2. The continued acceleration we are seeing reinforces our belief that customers increasingly value consumption-based infrastructure models that provide greater flexibility and cost predictability.

Turning to our broader subscription business, subscription services revenue in Q2 increased 20 percent year over year to $499 million and represented 42 percent of total company revenue.

Annual Recurring Revenue, or ARR, increased 20% year over year to more than $2 billion, driven primarily by the continued growth of Evergreen//One and strong renewal activity during the quarter.

Remaining Performance Obligations, or RPO, increased 44 percent year over year to more than $4 billion. Growth in RPO was driven by strong bookings across our core business, including offerings attached to Evergreen//Forever, as well as continued momentum with Evergreen//One.

I'd like to briefly address the relationship between RPO and ARR, as differences in the timing of these metrics can create variations in their respective growth rates from quarter to quarter.

RPO reflects the total value of contracted revenue that has yet to be recognized, while ARR measures the annualized value of recurring revenue currently contributing to the business.

Because multi-year contracts are included in RPO when they are signed, RPO often serves as a leading indicator of future ARR growth. As a result, ARR can temporarily lag RPO during periods of strong bookings activity, particularly when large, multi-year contracts are signed.
Given the acceleration we're seeing in RPO, we would expect ARR growth to continue over the next several quarters as these contracts begin contributing recurring revenue.

Turning to gross margins, total gross margin was 69.9 percent.

Product gross margin stood at 66.2 percent, in line with our long-term range of 65-70%, representing an increase of 70 basis points sequentially, while subscription services margin was relatively unchanged at 74.9 percent.

As predicted on our last earnings call, the revenue contribution from our hyperscale business was minimal in Q2, and we continue to expect the majority of hyperscaler revenue to be recognized in the second half of FY27. Hyperscale product deployments yield margins in the range of 75% to 85% and therefore should provide an incremental benefit to total product gross margins as volumes begin to ramp in the second half of FY27.

Let me address Product Revenue growth and gross margins excluding Hyperscaler revenues:

First, the pricing actions we implemented in Q2 have largely offset the increases we've seen in component costs so far. We continue to monitor component costs to maintain stable pricing and margins.

Second, it's important to emphasize that our pricing strategy remains focused on balancing near-term profitability with our long-term growth and market share objectives. We have approached pricing in a measured and disciplined manner, remaining consistent with our commitments to customers while preserving the long-term strength of our franchise.

Our goal here is not simply to maximize margins in the current environment. We intend to continue to operate at the low end of our 65-70% product revenue gross margin range to drive top line growth and market share gains while maintaining strong customer relationships.

Ultimately, our plan is to allow our product gross margins to return to the upper end of the long-term range of 65-70% once semiconductor costs begin to stabilize and return close to original levels.

This balanced approach is clearly paying off as we are driving higher levels of top-line growth and operating leverage as our operating profit growth attests.

Our operating profit of $230 million grew 77 percent year-over-year resulting in an operating margin of 19.4 percent. Revenue outperformance and pricing management discipline drove this excellent result.

With respect to our geographic mix of revenues, U.S. revenue was $688 million, growing 19 percent and international revenue was $498 million growing 75 percent year-over-year. International revenue represented 42 percent of total revenue in Q2. Notably, this marks our highest international revenue contribution to date. Scaling our international presence remains a significant opportunity and a key strategic focus for the company, and we are very pleased with the team's execution this quarter.

Moving on to our balance sheet, our liquidity remains robust with over $1 billion in cash and investments at the end of the quarter.

Cash flow from operations was negative $136 million in the quarter, primarily reflecting strategic component purchases made to support customer demand and secure component supply to fuel the strong growth of our core business. These purchases consisted primarily of NAND and other key components that were intentionally made to mitigate the impact of continued cost inflation and further increases in component pricing.

These actions are consistent with our long-standing approach to supply chain management and reflect prudent operational planning to meet the strong demand across our portfolio.

While these purchases created a temporary headwind to operating cash flow in the quarter, we expect operating cash flow to normalize over the next two quarters. Capital expenditures were $101 million, representing approximately 9 percent of revenue for the quarter. Our capital investments continue to support the continued scaling of our hyperscale business and to accelerate growth of our Evergreen//One subscription offering while also reflecting the higher price of components.

As a result, Free Cash Flow was negative $238 million, and we expect FCF to track back to operating margins during the course of the year and expect FCF for FY27 to be between $600-800M.

In Q2, we repurchased 932 thousand shares, returning approximately $69 million to shareholders. We also paid $74 million in withholding taxes on employee awards, offsetting dilution of approximately 1 million shares. We currently have about $176 million remaining under our existing $400 million repurchase authorization announced in Q4FY26.

Finally, our headcount increased sequentially by 282 employees, bringing our total headcount to 6,900 employees.

Now turning on to guidance. I would like to take the opportunity to explain the rationale for our guidance raise.

As mentioned in the prior Q127 earnings announcement on May 27, 2026, we were unsure about sustainability of demand as market participants had to adjust to unprecedented price increases that had not been experienced in years.

Equally, the supply environment was tight, and allocation driven. The combination of these two factors led us to argue that it was too early to call for further upside to our guide in 2H27.

Today, although market prices have increased to levels not experienced since 2017, demand remains strong, and we have anticipated continuous supply tightness with further strategic buys. Also, as we are past the half year point, we also now have two quarters of visibility towards the end of FY27.

With this new backdrop we are now in position to significantly increase our guidance for the second half of the year.

For Q3, we anticipate revenue to be in the range of $1,325 million to $1,335 million representing approximately a 38% percent year over year increase at the midpoint.

We expect operating profit to be in the range of $265 million to $275 million representing approximately also a 38% percent year over year increase at the midpoint.

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

Again, I would like to remind everyone per prior guidance that we continue to expect significant hyperscale product revenue in Q3 and Q4, based on order commitments through the Hyperscalers' Supply Chain for our DFM solutions.

For FY27, we anticipate revenue to be in the range of $5.030 billion to $5.070 billion representing at the midpoint an increase of more than $500 million relative to prior FY27 guidance. In growth terms, we expect revenue growth year on year to be at 38 percent at the midpoint; this is an increase of 75% in growth rate from prior guidance.

We expect operating profit to be in the range of $940 million to $960 million representing approximately at the midpoint increase of $110 million relative to prior FY27 guidance. In growth terms, we expect operating profit growth year on year to be at 50 percent at the midpoint; this is an increase of 54% in growth rate from prior guidance.

As Charlie mentioned, we look forward to providing you with an update on Everpure's long-term strategy, path to growth and long-term financial framework at our upcoming Financial Analyst Meeting that will be held on Wednesday, September 23rd at our Santa Clara campus.

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, employees, partners, investors, and suppliers. Our continued success is made possible by your trust and commitment, thank you