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# NetApp, Inc. (NTAP)

Q4 2025 Earnings Call

## CORPORATE PARTICIPANTS

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*Chief Executive Officer & Director, NetApp, Inc.*

**Wissam Georges Jabre**

*Chief Financial Officer & Executive Vice President, NetApp, Inc.*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day and welcome to the NetApp Fourth Quarter and Fiscal Year 2025 Earnings Call. All participants will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded.

I would now like to turn the conference over to Kris Newton, Vice President, Investor Relations. Please go ahead.

### Kris Newton

*Vice President-Investor Relations, NetApp, Inc.*

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](https://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 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 Kurian

*Chief Executive Officer & Director, NetApp, Inc.*

Thanks, Kris and good afternoon, everyone. Thank you for joining us. Record revenue for the fourth quarter and fiscal year 2025 was driven by strong growth and significant market share gains in all-flash storage, along with accelerating growth in our first party and marketplace storage services. We achieved all-time highs for gross profit, operating profit, operating margin and EPS in FY 2025, a clear indication of our ability to navigate a dynamic environment. By relentlessly prioritizing our four growth opportunities and leveraging AI for increased efficiencies, we are able to invest in growth and expand our profitability metrics.

In fiscal year 2025, we refreshed our entire systems portfolio, sharpened the focus of our cloud services, and positioned ourselves to lead in the enterprise AI market. I believe that we've now reached an inflection point where the growth of all-flash systems and public cloud services, reinforced by the ongoing development of the AI market, will drive sustained top line growth. Five years ago, these areas accounted for less than half our total revenue. Today, they represent over two-thirds.

Looking ahead, we expect these growth drivers, along with our laser focus, prioritized investments, and robust execution to deliver more company records in FY 2026 and beyond. Organizations are turning to NetApp to help them with data-driven strategies to deliver competitive advantage and operational efficiencies. As the enterprise AI market evolves and expands, there is greater urgency to transform. The demands of AI are complex and

unrelenting, with massive volumes of data scattered across multiple silos. This fragmentation leads to difficult integrations, inefficiencies and challenges in governance, security and data protection.

GenAI transformation has made it clear that legacy architectures are inadequate to serve these complex workloads. NetApp's unified data architecture, spanning any data type anywhere, enables customers to build an intelligent data infrastructure, delivering the required flexibility needed to overcome these barriers. Our modern approach to hybrid multi-cloud infrastructure and data management empowers organizations to harness the full potential of their entire data estate simply, securely and sustainably. We are expanding our installed base and reaching new customers with our AI-ready intelligent data infrastructure, which reduces cost and complexity by seamlessly bridging on-premises and cloud storage with unified control. The world's biggest cloud providers, as well as governments and leading companies, trust and rely on our technology.

All-flash array annualized revenue run rate grew 14% from Q4 a year ago to a record \$4.1 billion. In the fourth quarter, all-flash made up approximately two-thirds of Hybrid Cloud segment revenue, and 44% of systems in our installed base under active support contracts are all-flash. The rich data services of our all-flash unified data storage systems create a secure foundation for consolidating organizational data and accelerating AI-powered insights. As organizations seek to build future-proof, AI-ready infrastructure, they increasingly choose our solutions driving our faster than market growth. In calendar 2024, we gained almost 300 basis points of all-flash market share, more than any other vendor, as reported by IDC.

We are in the early stages of our entry into the dedicated block storage market with plenty of headroom for continued growth. The breadth of our advanced data management helps organizations lower operational risk and enhance business continuity by keeping data available, protected and secure. We are seeing accelerating growth from our block-optimized AFA systems, as we displace competitors' legacy installations with our simple, powerful, scale-out all-flash block storage. Our momentum outpaced the market and resulted in almost 100 basis points of share gain in calendar 2024, per IDC.

Demonstrating the power of our comprehensive all-flash portfolio, we signed a deal in the fourth quarter with a leading life sciences company to replace a competitor's nearly 10 petabyte footprint. With NetApp, they can now meet diverse multi-protocol and price performance requirements under a single operating environment, streamlining their data operations.

To keep pace in an AI-driven world, companies must unlock the scale and agility of the public cloud. Only NetApp can help them achieve the required cost efficiency, cybersecurity and AI readiness with services co-engineered with the major cloud providers. We continue to expand the workloads we address in the cloud and enhance our alignment with our hyperscaler partners' go-to-market motions, broadening our opportunity and accelerating growth.

Over the course of fiscal year 2025, we focused our Public Cloud services to emphasize our highly differentiated first-party and marketplace cloud storage services, closely complemented by intelligent data, operational and workload services. This strategic focus continues to yield positive results. First-party and marketplace cloud storage services grew 44% year-over-year in the fourth quarter. These services compose roughly 75% of Public Cloud segment revenue, which grew 22% from Q4 a year ago, excluding the recently divested Spot by NetApp services.

A SaaS provider needed high-performance, multi-protocol storage to meet their cost optimization and resiliency requirements, in Q4, this new to NetApp customer chose to migrate to AWS FSx for NetApp ONTAP. FSxN

helped the customer achieve a high performance, unified file and block environment with improved availability and resiliency for efficient and secure operations with a more cost-effective solution than alternatives.

Just as we have helped enterprises harness the power of hybrid cloud environments, we are now enabling them to accelerate their AI deployments and achieve faster time to value. As the market for enterprise AI evolves, customers are moving from proof-of-concepts to real-world deployments, driving the need to unify their data for business impact. Our secure, cloud-integrated, silo-free infrastructure positions us as a leader in this transformation. We power AI pipelines from data preparation to model training to production deployments on-premises and in the cloud. In the fourth quarter, our AI business grew fivefold year-over-year, again performing ahead of plan. We closed approximately 150 AI infrastructure and data lake modernization deals, spanning multiple geographies, industries and use cases.

Over the course of FY 2025, we dramatically expanded our AI ecosystem, delivering innovations with NVIDIA, Domino, Dremio, the Open Platform for Enterprise AI open-source projects, and leading hyperscaler AI tool kits. We also introduced AI reference architectures, with NVIDIA for AIDP, Cisco for FlexPod, Lenovo for AIPod, and, most recently, Intel for AIPod Mini. In Q4, our high-performance ONTAP all-flash storage was certified for NVIDIA DGX SuperPOD, NVIDIA Cloud Partners, and NVIDIA-Certified Systems.

Building on our large installed base of unstructured data, we enable customers to gain intelligence from their data in place, making it ready and useful for production AI use cases without the need for migrations or changes to data operations. We are helping customers deploy AI inferencing in production today, and expect FY 2026 to be a pivotal year for enterprise AI storage, with the opportunity outstripping that of model training.

In the quarter, a large Asian telco service provider selected NetApp as the foundation for its AI workloads. The company needed to quickly stand up a cloud-based model training environment, and at the same time, build a larger model training cluster to support its plan to deliver GenAI as a Service. By leveraging NetApp solutions both on-premises and in their cloud, the customer optimized performance, cost and scalability for both environments. This ensured seamless integration with their training pipelines, supporting current and future AI projects.

Before turning to the details of the quarter, I want to share some observations about the environment as we enter fiscal year 2026. The global macroeconomic outlook faces mixed signals with a general slowdown in growth, lingering inflation concerns, and a significantly higher level of uncertainty.

Looking ahead, we expect some increased spending caution as well as ongoing friction in US public sector and EMEA. We are incorporating an appropriate level of caution in our outlook due to these factors. Our fiscal year 2025 results demonstrate how the alignment of our solutions with key IT priorities, our focus, and the strength of our business model enables us to deliver strong performance in an uncertain environment.

Additionally, the unfolding enterprise AI market is driving urgency amongst customers to modernize their data infrastructure, drive cloud transformations, and increase cyber resiliency. We are currently negotiating sizable AI and data infrastructure modernization deals with multiple large enterprises, which we expect to close later in the year. This gives us confidence in our full year outlook.

We are starting FY 2026 following a year of market share gains, armed with the strongest portfolio in the company's history, and a value proposition that addresses customers' top priorities. We plan to make prudent investments in R&D and sales capacity to drive ongoing innovation and capture additional market share. Looking ahead, I am confident in our ability to capitalize on this significant opportunity and deliver more record results.

Finally, I am happy to introduce Wissam Jabre, our new CFO. I am excited to have Wissam with his deep knowledge of our market and strong track record of value creation on the team. He has quickly integrated into NetApp and will be a key partner to me and the leadership team as we continue to execute on our visionary approach for a data-driven future. Wissam, welcome.

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## Wissam Georges Jabre

*Chief Financial Officer & Executive Vice President, NetApp, Inc.*

Thank you, George, for the warm welcome, and good afternoon, everyone. Let me start by expressing my appreciation to George and the entire board for giving me this opportunity, and to Mike for his help and transition during my onboarding. I am extremely excited about joining NetApp and look forward to partnering with George and the rest of the talented team as we continue to drive innovation at NetApp.

As George noted, we achieved all-time highs across a variety of financial metrics in fiscal year 2025. We refreshed our entire systems portfolio, honed our focus in cloud, and expect to see even more enterprise AI growth in fiscal year 2026. As a reminder, all numbers discussed are non-GAAP unless otherwise noted.

Total revenue for Q4 came in slightly above the midpoint of our guidance range at \$1.73 billion, up 4% year-over-year and up 6% sequentially. Q4 billings of \$2.03 billion were up 12% year-over-year. This marks our sixth consecutive quarter of year-over-year revenue and billings growth.

Q4 Hybrid Cloud revenue of \$1.57 billion was up 3% year-over-year. Product revenue of \$845 million was up 5% year-over-year. Support revenue of \$625 million was flat year-over-year. Professional services revenue of \$98 million was up 13% year-over-year, mainly driven by Keystone, our storage-as-a-service offering.

Public Cloud revenue of \$164 million was up 8% year-over-year. Excluding the recently divested Spot business, Public Cloud revenue grew 22% year-over-year, which is a better representation of the underlying growth rate of the segment.

We exited fiscal year 2025 with \$4.54 billion in deferred revenue, an increase of 7% year-over-year and 5% year-over-year in constant currency. Q4 remaining performance obligations were \$4.97 billion, up approximately \$500 million from Q1. Unbilled remaining performance obligations, which is a key indicator of future Keystone revenue growth, was approximately \$430 million, up 23% quarter-over-quarter.

Q4 consolidated gross margin was 69.5%. Total Hybrid Cloud gross margin was 68.4%. Product gross margin was 55.4%. Our recurring Support business continues to be highly profitable, with gross margin of 92.3%.

Public Cloud gross margin was 79.3%, up 290 basis points sequentially and 11 percentage points year-over-year. Our Public Cloud business now operates towards the high end of the 75% to 80% long-term target range, and we remain confident in future tailwinds that can improve upon Q4's record margin.

Operating expenses of \$707 million were down 2% year-over-year and up 6% sequentially. Q4 highlighted the strength of our business model and disciplined execution with operating margin of 28.6%, up 50 basis points year-over-year and representing the highest for a Q4 in the history of NetApp.

EPS of \$1.93 was \$0.04 ahead of the midpoint of the guidance range and up 7% year-over-year, predominantly driven by lower operating expenses and effective tax rate. In Q4, cash flow from operations was \$675 million and

free cash flow was \$640 million. These cash flow metrics were driven by higher collections and lower supply chain payments year-over-year.

During the fourth quarter, we returned \$355 million to shareholders through \$250 million in share repurchases and \$105 million in cash dividends. Q4 diluted share count of 206 million was down 6 million shares, or 3% year-over-year. We had approximately \$350 million left on our current share repurchase authorization at the end of fiscal year 2025 and today we are announcing an increase in that authorization by \$1.1 billion.

Before moving to guidance, let's review the results for the full fiscal year 2025. Revenue of \$6.57 billion was up 5% year-over-year and billings of \$6.78 billion was up 8% year-over-year, both all-time company highs. Disciplined operational management also yielded all-time fiscal year highs for operating margin and EPS, demonstrating the effect of high operating leverage in our business model.

For fiscal year 2025, operating margin was 28.3%, up 150 basis points year-over-year, driven predominantly by flat operating expenses against a backdrop of 5% revenue growth. EPS grew 12% year-over-year, over twice the rate of revenue growth.

Operating cash flow was \$1.51 billion and free cash flow was \$1.34 billion. Both metrics were down low double digits percentage points year-over-year due primarily to changes in working capital including higher variable compensation payments and tax-related outflows.

Our balance sheet remains very healthy. We closed the year with \$3.85 billion in cash and short-term investments against \$3.24 billion in total debt for a net cash position of approximately \$610 million. We intend to use \$750 million of our cash to redeem the notes maturing in June. Inventory decreased in the quarter, and inventory turns increased to 12.

Now, turning to guidance, starting with fiscal year 2026, let me underscore our confidence in our strategy and the strength of our position in addressing key customer priorities such as data infrastructure modernization, cloud transformation, AI innovation, and cyber resilience. However, as George noted, the macro environment remains uncertain with both cost and demand-related variables that could lower IT spending and make it challenging to forecast through the remainder of the year.

As a result, we expect fiscal year 2026 total revenue to be in the range of \$6.625 billion to \$6.875 billion, which at the \$6.75 billion midpoint reflects 3% growth year-over-year. Excluding the divested Spot business from the compare, our total revenue guidance implies 4% growth year-over-year. Spot generated around \$95 million in revenue annually and accounted for a low teens percentage of Public Cloud segment revenue. As a reminder, we expect the divestiture to impact reported Public Cloud and total revenue growth for fiscal year 2026.

We expect fiscal year 2026 consolidated gross margin to be in the range of 71% to 72%. We expect operating margin of approximately 28.8% to 29.8%. We anticipate other income and expenses to be approximately negative \$10 million.

For the year, we expect a tax rate in the range of 20% to 21%. We expect EPS in the range of \$7.60 to \$7.90 for a midpoint of \$7.75. We expect operating cash flow will move in line with net income as it has done historically.

In fiscal year 2026, we intend to return up to 100% of free cash flow to shareholders in cash dividends and share buybacks. We also expect to reduce share count by low single-digit percentage points year-over-year.



Now, turning to Q1 guidance, we expect revenue to range from \$1.455 billion to \$1.605 billion, which at the \$1.53 billion midpoint implies a decline of 1% year-over-year. Excluding the divested Spot business from the year ago comparison, our revenue guidance implies a 1% growth year-over-year.

We expect Q1 consolidated gross margin to be in the range of 71% to 72% and operating margin to be in the range of 25% to 26%. EPS is expected to be in the range of \$1.48 and \$1.58 with a midpoint of \$1.53.

In closing, as I look forward to fiscal year 2026, I am confident in our strategy and execution capabilities as we are well-positioned to capture our expanding opportunities, increase profitability and free cash flow, and deliver sustainable long-term value to our shareholders.

I'll now turn the call over to Kris for Q&A.

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### Kris Newton

*Vice President-Investor Relations, NetApp, Inc.*

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

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## QUESTION AND ANSWER SECTION

**Operator:** We will now begin the question-and-answer session. [Operator Instructions] The first question today comes from Tim Long with Barclays. Please go ahead.

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### Tim Long

*Analyst, Barclays Capital, Inc.*

Q

Thank you. Yeah, two quick ones, if I could. First, was hoping you could just touch on the guidance, maybe Wissam, for you. Looks like the Q1 is a little bit light of where folks were, but the full year is still kind of intact.

So, George, you mentioned some big deals in the pipeline. Just curious how we're going to see kind of acceleration of revenues and EPS growth through the year. What's kind of the level of visibility into that?

And then second, I was hoping you could just touch on product gross margins, kind of what kind of outlook there with NAND prices moving around in macro and competition. What's kind of the outlook for product gross margins? Thank you.

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### George Kurian

*Chief Executive Officer & Director, NetApp, Inc.*

A

Maybe I can start and then Wissam can cover the second part of the question.

Listen, we are coming into the year with a ton of momentum. We have been the fastest-growing all-flash player in the market. We have outgrown our competition including this quarter in the all-flash market. We have gained share in the block storage market and our cloud business, as you saw, has accelerated through the course of the year. So, the setup for the year is very good.

We have a degree of caution in Q1 related to certain parts of Europe, Middle East, and Africa, especially some large countries where there's still public sector uncertainty as well as some impact from the uncertainty on tariffs



in manufacturing-centered economies and then US public sector. We feel that the growth through the year is driven by both some large deals that we're working on for modern AI-powered infrastructure, the addition of sales capacity that we added towards the end of Q4 and are adding through the course of the first half the year as well as continued strength in cloud and our all-flash portfolio. Wissam?

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**Wissam Georges Jabre**

*Chief Financial Officer & Executive Vice President, NetApp, Inc.*

A

Yeah. So, when you look at the guidance for the year, the margins obviously are guided towards where we would want to be in the long-term, but we are very comfortable with the transition. The few elements that will drive us to get there are obviously mix should be benefiting from the growth in cloud, and would continue to also grow in flash, which typically has better margins.

The other thing I would say on margins, so that we anticipate maybe the – one of the questions that I'm sure will come up is when we think of product margin, we did say previously in last quarter that earnings call that Q4 would be the bottom. We're seeing Q1 to be more or less in line with Q4, but we anticipate improvement from there, gradual improvement into the rest of the fiscal year on a quarterly basis.

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**Tim Long**

*Analyst, Barclays Capital, Inc.*

Q

Okay. Thank you. Very helpful.

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**Kris Newton**

*Vice President-Investor Relations, NetApp, Inc.*

A

Thank you, Tim. Next question?

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**Wissam Georges Jabre**

*Chief Financial Officer & Executive Vice President, NetApp, Inc.*

A

Thanks, Tim.

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**Operator:** The next question comes from Samik Chatterjee with JPMorgan. Please go ahead.

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**Samik Chatterjee**

*Analyst, JPMorgan Securities LLC*

Q

Hi. Thank you for taking my question. Maybe, George, on the last earnings call, you had referred to some of the execution or sort of timing of deals that had slipped and just curious if that continue to sort of what you see – is that something you're continuing to see and is that really informing sort of the caution related to the macro or are you just sort of overall looking at the macro backdrop and the economic indicators? Are you taking a more proactive approach relative to what you're seeing? I just wanted to understand sort of the thought process there and what you're seeing with your customers and I have a follow-up. Thank you.

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**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

A

I think it's more of the latter, Samik. We saw a strong Q4 where the majority of the deals that slipped out of Q3 we were able to close. And if you look at our Q3 to Q4 sequential number, it was above our typical trend driven by the strength of our execution. And overall, second half of the year, we had a strong growth rate relative to the first half of fiscal year 2025.

We are seeing some evidence, as you mentioned, about just overall political instability. Some of the GDP growth rates have come down and just a degree of caution in customers waiting for clarity on trade policy and other macroeconomic policies, particularly in Europe and, of course, in the US public sector.

**Samik Chatterjee**

*Analyst, JPMorgan Securities LLC*

Q

Got it, got it, got it. And for my follow-up, just in terms of Public Cloud revenues, if you can just share what was the Q4 performance ex-Spot. What was the underlying growth rate? And you did mention sort of the acceleration of the improvement in growth rates through the year. Any color in terms of what to expect as you go through fiscal 2026 in terms of growth rates and where you probably exit fiscal 2026 on an underlying basis, understanding that Spot would not be in the numbers? Thank you.

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

A

Yeah. Public Cloud in Q4 ex-Spot was up 22% year-on-year and if you look at the full year, it was up 16% year-on-year. So, we saw acceleration through the year.

As you can see, our first-party and marketplace cloud storage is growing at a very, very fast pace, north of 40%, and it's becoming a bigger and bigger part of the overall Cloud business mix. And that will drive continued acceleration of that part of the business. You can offset – as Wissam mentioned, Spot was about \$95 million and so that's the offset to the cloud revenue as you model for next year.

**Samik Chatterjee**

*Analyst, JPMorgan Securities LLC*

Q

Got it. Great. Thank you. Thanks for taking my questions.

**Kris Newton**

*Vice President-Investor Relations, NetApp, Inc.*

A

Thank you, Samik. Next question?

**Operator:** The next question comes from Wamsi Mohan with Bank of America. Please go ahead.

**Wamsi Mohan**

*Analyst, BofA Securities, Inc.*

Q

Yes, thank you. George, you noted in your prior answers that there were some large deals related to AI infrastructure. Can you just share some color on where these are? Are these at tier 2 CSPs or hyperscalers and what's the potential contribution to growth from this? And I have a follow-up.

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

A

We work with a lot of the very largest cloud and enterprise providers, and we have been working with some of them on data modernization transaction supporting building up enterprise AI, cloud infrastructures. These are factored into the sequential ramp through the year of our FY 2026 outlook. So, we feel very good about our position in the unfolding enterprise AI market as well as the strength of our full year guide.

**Wamsi Mohan**

*Analyst, BofA Securities, Inc.*

Q

Okay. Thanks, George. As my follow-up, you noted a pretty cautious macro embedded in your first quarter guide. Are you de-rating your full year beyond that also on sort of macro?

And on tariffs, it sounded like you're embedding some caution related to demand from your customers who might be impacted by it, but do you have any direct impact from tariffs? And could you just quantify if there was any?

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

A

Yeah. Within our FY 2026 outlook, tariffs are about 40 to 60 basis points of our gross margin, so a small amount, and that's contemplated in the guide that we have given you. That is based on the current tariff situation, which is really the 10% baseline tariff and not the reciprocal tariffs.

We have a diverse supply chain. We have no exposure to China. Final assembly of our products, which confers kind of country of origin is in Singapore, Hungary, Mexico, and the US. So, it allows us to have a very small impact of tariffs to us and also the semiconductor exemption allows us to have a pretty small contribution of costs from tariffs. We see the primary impact of tariffs or really the uncertainty introduced by tariffs causing enterprises to kind of slow down, particularly in the manufacturing segment in Europe.

**Wamsi Mohan**

*Analyst, BofA Securities, Inc.*

Q

Okay. That's really helpful. Thank you so much.

**Kris Newton**

*Vice President-Investor Relations, NetApp, Inc.*

A

All right. Thank you, Wamsi. Next question?

**Operator:** The next question comes from Meta Marshall with Morgan Stanley. Please go ahead.

**Meta A. Marshall**

*Analyst, Morgan Stanley & Co. LLC*

Q

Great. Thanks. Wanted to ask a couple of questions. Obviously, a lot of traction on the AI side. Kind of earlier in the year, you had noted maybe some of these proof-of-concepts would start to become full-blown deployments kind of towards the end of the year or kind of into 2026. Are you seeing a pull forward of that that's kind of leading to some of the strength or this is just kind of the beginning, and we should see more kind of later on?

And then as a second question, given the strength you're seeing on the first-party and marketplace, is some of that also driven by kind of some of these AI use cases or just kind of maturing of those offerings in general? Thanks.

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

A

Thank you for your question. On the first one, we see it as just ongoing unfolding of the enterprise AI market. As we said, inferencing and the use of AI tools to drive business advantage is the core of the opportunity in the

enterprise and 80% of the overall storage opportunity. And we have done very well in that. We think that fiscal year 2026 will continue to accelerate and expand that opportunity for us.

With regard to cloud performing so strongly, yes, there is enterprise AI customers using our cloud footprints either because they want to do AI in the cloud or where they want to start their AI proof-of-concepts in the cloud, and we feel really good about that. Overall, the Cloud business is performing very well both due to strong technology differentiation and good execution. And as we have shared, we are expanding the range of not only enterprise application use cases, but analytics and AI use cases. And so I feel really pleased with the focus and the execution we've had in that part of our business this year.

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**Meta A. Marshall**

*Analyst, Morgan Stanley & Co. LLC*

Great. Thank you.

Q

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**Kris Newton**

*Vice President-Investor Relations, NetApp, Inc.*

Thank you, Meta. Next question?

A

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**Operator:** The next question comes from David Vogt with UBS. Please go ahead.

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**David Vogt**

*Analyst, UBS Securities LLC*

Great. Thanks, guys, for taking my questions. So, one for George, one for Wissam. So, George, I guess can you maybe help us understand? I know the macro is uncertain, but you're exiting fiscal 2025 with your all-flash ARR growing double digits nicely, north of \$4 billion. So, can you kind of walk through how you bridge 2025 to 2026 with that kind of backdrop? Should we assume fairly meaningful deceleration in the all-flash business in 2026? And if not, then what's driving the more cautious tone, [ph] I get (00:39:31) the macro.

Q

And then Wissam, just I'll give you both at the same time. Obviously, you talked about where public and your cloud – your Hybrid and your Public Cloud gross margins are. So, can you help us understand the ramp in the second half of the year on margins to kind of get to that full year, roughly 28%, 29% operating margins coming off of a relatively a modest base in the first fiscal quarter of the year? It suggests that margins would have to be at least 30% in the back half if we're doing the math correctly. So, I just want to kind of get a sense for how to think about it. Thanks.

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**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

I'll take your first question. I think if you look at the components of the FY 2026 guide, support continues to be a low single-digit number. It doesn't go down or go up materially, just waterfalls off of deferred revenue. And as deferred revenue has grown this year, you should see support sort of stabilize and start to grow in FY 2026.

A

Cloud should continue with the note of the headwind from the divestiture of Spot, the momentum in rest of the Cloud business should continue. We had professional services, which is powered – the growth of professional services, which is powered by our Keystone storage-as-a-service business should continue at the same clip next year.

And in product, if you look at the market data for all-flash, it has come down about 300 basis points. We are expecting to grow at or above the market. There is a part of the business that is non-flash, which is probably less tied to customer spending priorities, which is where we have also indicated a degree of caution.

So, listen, we feel really good about our competitive position. Q4 was a strong print. The full year was a strong result. We feel that it's important to be prudent in our outlook just given the range of volatility that's going on.

**David Vogt**

*Analyst, UBS Securities LLC*

Great. And then on the margins?

**Wissam Georges Jabre**

*Chief Financial Officer & Executive Vice President, NetApp, Inc.*

And David, for the second – yes, and for the second question, so the way to think of it, look, without guiding quarter by quarter, the way to think of it is we expect obviously revenue to improve from here for the rest of the year. And as you sort of work yourself down the P&L, gross margins, as I said, for products are expected to be flattish in Q1 and gradually improve for the rest of the year.

Cloud, we ended Q4 at almost the top range of the long-term target that we set ourselves. We expect that to sort of also improve from here into the fiscal year 2026. Hence, for the rest of the elements, you'd expect sort of a roughly similar type of trend. So, that gives you a good idea of how the gross margin should progress for the rest of the year.

The way we think of operating expenses is we obviously want to continue to invest in high ROI projects on the R&D side. We also want to continue to invest in sales capacity strategically to drive the top line, but the OpEx growth isn't expected to be faster than revenue growth. In fact, the way we think of it is OpEx growth should be at most half of the revenue growth. And so that gives us the operating leverage. And without really giving you the numbers for the rest of the quarters, I think it gets you mathematically to the numbers that you mentioned.

**David Vogt**

*Analyst, UBS Securities LLC*

That's more than helpful. Thanks, Wissam. Thanks, George.

**Kris Newton**

*Vice President-Investor Relations, NetApp, Inc.*

All right. Thank you, David. Next question, please?

**Operator:** The next question comes from Asiya Merchant with Citigroup. Please go ahead.

**Michael Anthony Cadiz**

*Analyst, Citigroup Global Markets, Inc.*

Excellent. Hi. This is Mike Cadiz for Asiya Merchant at Citi. So, I'll give you my two questions at once. So, the first is on Keystone. Can you describe the tenor of the customer conversations you're having as it pertains to OpEx versus CapEx spending, especially given this uncertain macro environment? That's question one.

And question two is can you provide any color on product momentum following your significant validation like NVIDIA SuperPOD that you did just earlier in March? Thank you.

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

A

Yeah. I think Keystone has grown strongly. TCV sales of Keystone for fiscal year 2025 is at \$224 million, up 54% year-on-year. So, we feel good about the momentum of Keystone. I would say there was nothing unusual in terms of customer behavior. There are use cases for which Keystone makes sense, and there are use cases for which capital purchases make sense. We are seeing a growing number of use cases for which Keystone is the preferred choice in our customers, and we're taking advantage of that.

With regard to the momentum, listen, our new product portfolio has done really well. It's ahead of our internal plan and so we feel really good. We have seen some untapped SuperPOD wins soon after we got the certifications and so you should see the acceleration – continued strength of that part of our business this coming year.

**Michael Anthony Cadiz**

*Analyst, Citigroup Global Markets, Inc.*

Q

Excellent. Thank you.

**Kris Newton**

*Vice President-Investor Relations, NetApp, Inc.*

A

Thank you, Mike. Next question?

**Operator:** The next question comes from Param Singh with Oppenheimer. Please go ahead.

**Param Singh**

*Analyst, Oppenheimer & Co., Inc.*

Q

Hi. Thank you for taking my question. I do appreciate all the color you provided in terms of the growth trajectory for the year, but it really seems contingent upon success with AI workloads, right? And probably implied guidance is from like down 3%, 4% in product growth for the first quarter year-over-year and improving from there. So, what I really want to understand is what are some of the technical advantages that you have in addressing these AI workloads versus some of your competitors in the market and why should any customer choose NetApp? And any kind of evidence you can provide that you are actually seeing that with customer growth right now?

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

A

Listen, I think, first of all, technologically we have several advantages. We have a lot of proof points about the performance and scaling of our systems as denoted by NVIDIA SuperPOD, NVIDIA NCP certification, and the ability to configure our systems as part of multiple reference architectures.

The second is the strength of our data management where we provide privacy, security, governance capabilities in addition to a range of others like multi-tenancy and others that customers want in an enterprise AI platform. And then uniquely, we have hybrid cloud integration. So, we saw many clients wanted to use their enterprise data with some of the tools like Vertex or Bedrock that we have unique integrations with in the public cloud. So, lots of technological advantages.

Listen, we had 150 customer wins this past quarter and each of them had choices of multiple different vendors. And the level of penetration of AI into our installed base is really small right now. So, we have a long road map to go, right, in terms of customer momentum and wins.

I will just note that, listen, we have had a really strong year. We took 280 basis points of share in all-flash, 100 basis points in addition in the block storage market. Any degree of caution going into next year is not because of our competitive position. It's just being prudent about the amount of uncertainty in the economy.

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**Param Singh**

*Analyst, Oppenheimer & Co., Inc.*

Q

Got it. Thanks, George. That's really helpful. If I could just follow-up on that, some of the wins that you talked about. As I think longer term, 2026 fiscal and beyond, what are some of the applications that customers are talking about within inferencing where they feel or where you feel NetApp is best positioned to go and have a high win rate?

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**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

A

I think broadly speaking, there's sort of three different use cases where we are doing really well. One is the need to modernize your data infrastructure so that you can bring it to AI models. These are in the form of new analytics environments like data lakes or high-performance analytics applications that are proprietary to certain clients.

The second is AI centers of excellence. These could be like the very large Asian telecommunications provider that's building a national AI center of excellence, or it could be a large enterprise that's building an AI factory for sharing across all their departments. And there, our reference architectures together with NVIDIA, for example, are the de facto motions. We've done really well there.

And then the third is cloud sort of service providers that want to host inferencing environments for enterprises where our combination of our installed base plus hybrid cloud capabilities allows us to do really well. So, more to come. We will share more updates as we go through the year. We have a super exciting R&D innovation pipeline and we will invite you to come to INSIGHT to watch us.

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**Param Singh**

*Analyst, Oppenheimer & Co., Inc.*

Q

Thank you, George. Much appreciated.

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**Kris Newton**

*Vice President-Investor Relations, NetApp, Inc.*

A

Thank you, Param. Next question?

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**Operator:** The next question comes from Krish Sankar with TD Cowen. Please go ahead.

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**Krish Sankar**

*Analyst, TD Cowen*

Q

Yeah, hi. Thanks for taking the question and Wissam, nice to hear from you again.



I have two questions. Number one, George, I think you mentioned ASA about two-thirds of Hybrid Cloud revenues. I'm kind of curious how to think about the other one-third dynamic on the hard drive side? Are you seeing weakening demand or do you think that sector is in – or that segment is in a secular decline? And then I had a follow-up.

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**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

A

The two-thirds was all-flash arrays. They are two-third of Hybrid Cloud revenue and a bit higher in terms of their contribution to product revenue given the all-flash is primarily point of sale and is a little bit less contribution from the renewals business of maintenance.

I think the second is the hard drive segment, it has declined a good amount over the course of the last few years as tranches of the hard drive segment have been replaced by flash. So high performance drives, and now, 10K drives are going through the transition. We expect that it will stabilize over the course of time to a smaller number as hard drives become used for use cases like backup and archival, where today, flash does not provide a compelling value proposition. And so, it'll continue to decline from here, but it will asymptote to a smaller number soon enough.

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**Krish Sankar**

*Analyst, TD Cowen*

Q

Got it. Got it. And then the question for Wissam, maybe a two-part question. One is on the gross margin guide, 71% to 72% for FY 2026. What is the implied product gross margin in it? And also, what is your public sector exposure? Last time you guys mentioned about it, I think US was probably 10% to 12% and global is a little more than that. Can you just talk a little bit about your public sector exposure and the dynamics there with DOGE and everything, and also the product gross margin. Thank you.

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**Wissam Georges Jabre**

*Chief Financial Officer & Executive Vice President, NetApp, Inc.*

A

Yeah. Hey, Krish. Let me start with the product gross margin. Look, we don't typically guide for fiscal year down to that level. So what I would tell you, though, is I would repeat the same comments I made a little bit earlier. The way we think of product margin is in Q1, it's expected to be flattish to Q4. And then we expect it to improve gradually on a quarterly basis for the rest of the year. So, that should hopefully give you enough to sort of model it.

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**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

A

For public sector, US public sector is in the low-teens percentage of our business, of which, federal is around 75% to 80%, depending on the quarter. We don't break out global public sector. With regard to our view of that, we see the – we are seeing DOGE hopefully wrapping up soon and a new spending bill getting authorized, which should help us in the public sector going forward.

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**Krish Sankar**

*Analyst, TD Cowen*

Q

Thanks, George. Thanks, Wissam.

**Kris Newton**

*Vice President-Investor Relations, NetApp, Inc.*

Thanks, Krish. Next question?

A

**Operator:** The next question comes from Mehdi Hosseini with SIG. Please go ahead.

**Mehdi Hosseini**

*Analyst, Susquehanna Financial Group LLLP*

Thanks for taking my question. George, I wanted to just go back to the all-flash array and get your updated view on how this cycle could be the same as prior cycle or is it any different. And for context, given your reported April quarter, the all-flash array had a 12% CAGR from FY 2023 through FY 2025. Would you expect FY 2026 to carry out with the same momentum or are we going to have kind of the acceleration before growth accelerate into FY 2027?

Q

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

Listen, as a percentage of the business, all-flash array should continue to tick up. I think there is a transition from 10K HDDs to all-flash. That is probably in the third or fourth inning of a nine-inning ball game, right, so plenty of runway.

The pace at which that transition happens is driven by two things. One is new environments that gets stood up. These are priority environments like analytics or cybersecurity or particularly AI, which contribute to the mix of all-flash continuing to grow because those are predominantly all-flash environments. And then the second is the tech refresh or the infrastructure modernization part. That will be paced by GDP outlook.

A

**Mehdi Hosseini**

*Analyst, Susquehanna Financial Group LLLP*

So, is there any way you can kind of quantify how each one of these contribute or each growth vectors line up. Is the last one, the upgrade, meaningful enough? And that's what the GDP sensitivity is. And I'm just trying to separate secular growth, secular opportunities from more of a GDP sensitive bucket?

Q

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

Listen, I think I'm not going to break it out specifically. I think as we said, our outlook for next year implies that we continue to gain share or at least stay at the market in all-flash arrays. And if you look at public benchmarks for all-flash arrays, like IDC, they're in the 9%, down from around 12%. So, there's a slowing down a little bit given some of the concerns, and I think we should be able to at least do that.

A

**Mehdi Hosseini**

*Analyst, Susquehanna Financial Group LLLP*

Great. Thanks for the details.

Q

**Kris Newton**

*Vice President-Investor Relations, NetApp, Inc.*

Thanks, Mehdi. Next question?

A

**Operator:** The next question comes from Steven Fox with Fox Advisors. Please go ahead.

**Steven B. Fox**

*Analyst, Fox Advisors LLC*

Q

Hi. Good afternoon. Two questions, if I could, real quick. One, how do we think about the pressure included in your margin guidance from passing through higher cost input material costs for the year? I know you're passing them through, but I assume it's a margin rate pressure.

And then secondly, George, if I could just push back a little bit on the guidance because I'm kind of confused given some of the momentum you've seen and since it seems like you're concerned about some targeted areas, public and industrial Europe, how can you put in perspective how big those pieces of sort of the macro are to your business relative to the AI growth you're seeing and the other incrementals you're seeing in market share? I'm just – it's confusing to me that we're talking about 3% year-over-year growth again this year. Thanks.

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

A

Maybe I can take the second part of your question and Wissam will take the first part. With regard to the outlook for next year, just remember that the revenue guide has a headwind of about 1 point from the divestiture of the Spot business. So if you look at it ex-Spot, it's about 4% compared to this year's performance of about 5%.

I think if you look at our business, the two segments we talked about where we have concerns are US public sector, which again, is about low-teens percentage of our business, where federal is about 75% to 80% of the business. So, we have some concerns about just clarity of when budgets gets approved, what will be the impact of DOGE and other things, right?

And then EMEA, which is a decent chunk of our overall business, where some countries, particularly like the larger ones, are awaiting clarity on export-related tariffs. They have – in some countries, the government has been installed but hasn't deployed budgets yet. And so, there's just a degree of caution there.

We feel that our momentum is strong. We have less visibility into the timing and resolution path of some of these geopolitical situations. And it's important for us to be prudent about guidance given those circumstances.

I'll turn it over to Wissam to answer the second part of your question.

**Wissam Georges Jabre**

*Chief Financial Officer & Executive Vice President, NetApp, Inc.*

A

Yeah. Thanks, George. So, with respect to input costs, Steve, when – our guidance basically reflects all the information we have now. And so as George mentioned a little bit earlier, we do have around 40 to 60 basis points impact to gross margin. But this is also an evolving area, right, when we think of tariffs. We do have a very agile, resilient and diverse supply chain. And so, we will continue to work throughout the year to mitigate to the extent we can and hopefully improve from here. That's one thing.

The other thing, as it is an evolving situation, if there's any changes in that area, I'd say, on the trade policies and other types of things, then obviously, we will be updating as well. But for now, that's how we're thinking of the input cost. It's all reflected in our guide as the – within that 71% to 72% margin.

**Steven B. Fox**

*Analyst, Fox Advisors LLC*

Okay. Thank you.

Q

**Kris Newton**

*Vice President-Investor Relations, NetApp, Inc.*

Thanks, Steve. Next question?

A

**Operator:** The next question comes from Jason Ader with William Blair. Please go ahead.

**Jason Ader**

*Analyst, William Blair & Co. LLC*

Yeah. Thank you. Good afternoon. Just two questions. First, Wissam, could you give us a sense of the upside opportunity for cloud gross margins from here? You're at 79% now. Where do you think that might get to?

And then my second question is really just on the impact of the Broadcom acquisition of VMware. Any positive or negative impacts that you guys have seen from the disruption caused by the licensing changes at VMware?

Q

**Wissam Georges Jabre**

*Chief Financial Officer & Executive Vice President, NetApp, Inc.*

Yeah. Thanks for the question. So, with respect to the opportunity on the cloud gross margin, look, we've been in the long-term range for the last couple of quarters, Q3 and Q4 of 2025. Then that range, just to remind everybody, was 75% to 80%. We expect that we should be seeing improvement from here. So for the rest of the fiscal year 2026, we anticipate gradual improvement on a quarterly basis, but we're not yet ready to sort of come out and – on an earnings call and come up with a long – with a new target range. But there's definitely opportunity for improvement from here, albeit on a gradual pace.

A

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

With regard to the Broadcom acquisition, sort of two or three things, right, that we see. The first one is there's a greater degree of caution about hyperconverged infrastructures, which has caused some of the hyperconverged vendors to now work with external storage providers. Second, we have and continue to expand the range of alternative hypervisors that we support. We support a broad range and we'll continue to expand that range to give customers choice. And the third is in select customers, there have been re-platforming exercises, which is part of our success in block storage, for example, where they might have a hyperconverged solution or a legacy disk-based solution. And as we think about optimizing their VMware estate, they will choose to kind of re-platform onto NetApp on-prem. We've also seen good growth with our VMware services, for example, Azure, VMware services, the public cloud.

A

**Jason Ader**

*Analyst, William Blair & Co. LLC*

Does it make sense, George, for you to partner with the hyperconverged vendors?

Q

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

A

We will partner with whoever the – our customers feel it's a good choice for us to make, we will partner with them, be our ongoing discussions with a broad range of solutions, right? And that has been our track record.

Jason Ader

*Analyst, William Blair & Co. LLC*

Thank you.

Q

Kris Newton

*Vice President-Investor Relations, NetApp, Inc.*

Thank you, Jason. Next question?

A

**Operator:** The next question comes from Simon Leopold with Raymond James. Please go ahead.

Simon Leopold

*Analyst, Raymond James & Associates, Inc.*

Thank you. I wanted to see if you could describe a little bit the linearity in the quarter and then into May. I guess what I'm trying to get a better understanding of is, did the behaviors that are creating your concerns actually moderate when tariffs were delayed in May versus what you saw when they were first announced in the beginning of April? And then my follow-up is, how are you thinking about the Section 232 reviews on semiconductors? What are your expectations for the impact of that? Thank you.

Q

George Kurian

*Chief Executive Officer & Director, NetApp, Inc.*

Listen, I think that if you looked at linearity in the quarter, it was typical for a Q4. I note that in Europe, we had the usual experience of having Easter's – Easter week in the last week of our quarter. And with the passing of the Pope, that was a unique situation, we had planned for that. And so, we had worked hard to get the vast majority of our European business in early ahead of that. And so, we were planful to deal with that.

A

I think that the caution that we saw did not materially contribute to linearity, it just contributed to our view of the pipeline where deals that were sort of larger deals got broken up into smaller transactions or we had to go through more procurement cycles of approval, something that you typically see when there's uncertainty.

Simon Leopold

*Analyst, Raymond James & Associates, Inc.*

And the Section 232 review on semiconductors?

Q

George Kurian

*Chief Executive Officer & Director, NetApp, Inc.*

Listen, we are operating under a semiconductor exemption. I'm not an expert to predict what the administration will give.

A

Simon Leopold

*Analyst, Raymond James & Associates, Inc.*

Thank you.

Q

**Kris Newton**

*Vice President-Investor Relations, NetApp, Inc.*

Thank you, Simon. Next question?

A

**Operator:** The next question comes from Ananda Baruah with Loop Capital. Please go ahead.

**Ananda Baruah**

*Analyst, Loop Capital Markets LLC*

Yeah, hey, guys. Thanks for taking the question. Just one for me. George, you may have covered some of this context in all of the Public Cloud context that you've given us. But just GenAI, right, in hyperscale, as those builds grow, with things like GenAI video continue – well, continue – begin to really become prominent, does that – like how does that impact sort of the value of your software? And if that really amplifies that whole dynamic just sort of hyperscale data centers, GenAI adoption in video, just because I know it's here to compete in incentives, how might that – and it requires a lot of storage, how might that impact software business there? Thanks.

Q

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

Yeah. Listen, I think – thanks for the question. Listen, I think that we see a lot of clients wanting to use their data with a broad range of tools. The hyperscalers are obviously one of the set of tool chains that they want to use. And so, we have a unique position to bring enterprise data to the hyperscaler platform. And because of our flexibility in doing so, more and more people are choosing us.

A

So, we had a few different wins this quarter. I'll talk about a gaming company that is building a AI-powered ultra-real estate game development environment, and they wanted to have a mix of on-prem and public cloud, because their developers operate in different parts of the world and all of that, and we were chosen because of our hybrid use cases.

With regard to the growth of data related to AI, the inferencing use cases start to generate a lot of data, first, from vectorization of data, where when you take text or video and then convert it into these granular numerical representations of that, you can get much, much larger amounts of data that are created. And then the second is multi-modal data sets obviously get richer and richer, and so, you will see data growth.

It's early, so I don't want to predict the outcome there. But if you look at the proof-of-concepts that we have going on with clients, there is clear indication of data growth in those proof-of-concepts.

**Ananda Baruah**

*Analyst, Loop Capital Markets LLC*

That's great. I appreciate it. Thanks.

Q

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

Thank you.

A

**Kris Newton**

*Vice President-Investor Relations, NetApp, Inc.*

Thank you, Ananda. Next question?

A

**Operator:** The next question comes from Nehal Chokshi with Northland Capital Markets. Please go ahead.

**Nehal Chokshi**

*Analyst, Northland Capital Markets*

Q

Yes. Thank you. I wanted to – got a couple questions. First is the 150 AI wins in the quarter. I believe that's up from 100 last quarter and it sounds like 30% from a year ago. Have you seen your AI win rate go up or is this just a reflection of the increase in deal flow – AI deal flow?

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

A

I think, first of all, the 5x number that we are talking – that we mentioned in the call is related to revenue and dollars, not customers. That being said, your comment about acceleration from approximately 100 wins is accurate. We feel very good about our competitive position. Our win rates are very, very strong. And I think what we are pushing our sales teams to do is to engage in more and more opportunities. Clearly, the range of tools that we have made available to them to compete is much larger, right? We have a fully refreshed high-performance all-flash storage portfolio. We've got certification across a broad range of technologies. We've got integrated reference full stack architectures. And we have a growing amount of AI integration, both with application providers, as well as with hyperscaler providers and with NVIDIA's tool chain. So, we want more deals to compete in because our win rate is really high, and we are giving our sales teams a lot more tools to compete.

**Nehal Chokshi**

*Analyst, Northland Capital Markets*

Q

Okay. Great. Thank you. And then other question here is for Wissam. I'm not sure if you talked about it, but can you just discuss what was the FX impact in the quarter? And what's your expectations for fiscal year 2026?

**Wissam Georges Jabre**

*Chief Financial Officer & Executive Vice President, NetApp, Inc.*

A

Yeah, sure. So for Q4, the FX impact was minimal. It's sub-1%, so it's not worth mentioning. And for the fiscal year 2026, it's reflected in the guidance. So, we typically use the predominant FX rates, let's say, for where we – when we project. And so, we'll be talking about it more as the year progresses, I would say, when we start seeing actuals.

**Nehal Chokshi**

*Analyst, Northland Capital Markets*

Q

So, I believe that should be at least about a 100-basis point positive tailwind. Is that correct?

**Wissam Georges Jabre**

*Chief Financial Officer & Executive Vice President, NetApp, Inc.*

A

No. Sorry. With respect – what I said with respect to Q4 is that the impact is much less than 100 basis points. So, it's like de minimis. That's why I didn't want – I didn't mention it. But I did not give any numbers for FY 2026.

**Nehal Chokshi**

*Analyst, Northland Capital Markets*

Q

Yeah. I guess I was referring for – or respect to fiscal year 2026. Given current rates, that should be at least a 100-basis point positive impact. Is that not correct?



**Wissam Georges Jabre**

*Chief Financial Officer & Executive Vice President, NetApp, Inc.*

Look, this is your calculation that – I mean, I won't comment on that.

A

**Nehal Chokshi**

*Analyst, Northland Capital Markets*

Okay. Thank you.

Q

**Wissam Georges Jabre**

*Chief Financial Officer & Executive Vice President, NetApp, Inc.*

You're welcome.

A

**Kris Newton**

*Vice President-Investor Relations, NetApp, Inc.*

Thanks, Nehal. Next question?

A

**Operator:** The last question today will come from Lou Miscioscia with Daiwa. Please go ahead.

**Louis Miscioscia**

*Analyst, Daiwa Capital Markets America, Inc.*

Okay. Thanks for fitting me in. And in essence of time, I'll keep it to just one question. George, you talked, gosh, going back a while ago, maybe a year that was going to take time for AI to really ramp up, and obviously, you've given full year guidance for this year. But do you think that as we get to the following year, I'm not really looking for guidance, with inference really starting to ramp, with enterprises starting to buy, AI servers that will get a step function of growth for storage due to AI, let's maybe say calendar 2026, either first half or second half or something?

Q

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

Listen, what we've said is that we believe the real value of AI, if it is to grow at the rate that is growing, has to deliver business impact to organizations, right? And I think that business impact really comes from the use of tool chains for inferencing and reasoning models and agentic AI.

A

I think the overall AI market has been in the, hey, we're going to get the large language models, which I think are like enabling tools ready. And we are now starting to see some of those tools get implemented in use cases for the enterprise. Of course, you know that some of those use cases are more mature than others.

I think what we have seen in our business is the first phase of the enterprise is getting ready to use AI, which is, hey, I got to get my data infrastructure in a good place. I want to unify my data, I want to catalog it, I want to know lineage, I want to have privacy control. We are seeing that. It's in the early phases of the large enterprise and we see that expanding. Quarter by quarter, there are more enterprises engaged in those discussions with us.

With regard to how it plays out, it really, really depends on the business value and impact that these use cases have on the enterprise. Obviously, if they are transformative business value, there will be super rapid adoption, and you can see that over the next 12 to 18 months. But I'm not the expert on business value, right? We got to wait and see what our clients tell us about the impact of that.

**Louis Miscioscia**

*Analyst, Daiwa Capital Markets America, Inc.*

Q

Okay. Thank you. Good luck for the next fiscal year.

**Kris Newton**

*Vice President-Investor Relations, NetApp, Inc.*

A

All right. Well, thanks...

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

A

Thank you so much.

**Wissam Georges Jabre**

*Chief Financial Officer & Executive Vice President, NetApp, Inc.*

A

Thank you.

**Kris Newton**

*Vice President-Investor Relations, NetApp, Inc.*

A

Thanks, Lou. I'll turn it over to George for some closing comments.

**George Kurian**

*Chief Executive Officer & Director, NetApp, Inc.*

Thank you to our customers, partners, employees and investors for your continued support. Fiscal year 2025 marked many all-time highs, all-flash, Public Cloud, Keystone, support and total revenue, gross and operating profit, operating margin, net income and EPS. I believe we've reached an inflection point where the growth of all-flash systems and Public Cloud services, bolstered by the ongoing development of the enterprise AI market, will drive sustained growth.

We are entering FY 2026 following a year of market share gains equipped with the strongest portfolio in the company's history and a clear alignment of our value proposition with customer needs. Looking forward, we believe our focus and strong execution will lead to even more company records in FY 2026 and beyond.

**Operator:** The call has now concluded. Thank you for attending today's presentation. You may now disconnect.

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