

NYSE:ATEN Q3 2025 Earnings Call Transcript

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Conference Operator | Operator:

Good day, everyone, and welcome to the A10 Network's third quarter 2025 Financial Results Conference Call. At this time, all participants are on a listen-only mode, and we will open the floor for your questions and comments after the presentation. It is now my pleasure to turn the floor over to your host, Tom Bauman. Sir, the floor is yours.

Tom Bauman | Host, Investor Relations:

Thank you all for joining us today. This call is being recorded in webcast slides. and may be accessed for at least 90 days via the ATEN Networks website at atennetworks.com. Hosting the call today are Drupal Trivedi, ATEN's President and CEO, and CFO, Michelle Curran. Before we begin, I would like to remind you that shortly after the market closed today, ATEN Networks issued a press release announcing its third quarter 2025 financial results. Additionally, ATEN published a presentation and supplemental trended financial statements. You may access the press release, presentation, and trended financial statements on the investor relations section of the company's website. During the course of today's call, management will make forward-looking statements, including statements regarding projections for future operating results, demand, industry and customer trends, macroeconomic factors, strategy, potential new products and solutions, our capital allocation strategy, profitability, expenses and investments, positioning, and our dividend program. These statements are based on current expectations and beliefs as of today, November 4th, 2025. These forward-looking statements involve a number of risks and uncertainties, some of which are beyond our control that could cause actual results to differ materially and you should not rely on them as predictions of future events. A-10 does not intend to update information contained in these forward-looking statements, whether as a result of new information, future events, or otherwise, unless required by law. For a more detailed description of these risks and uncertainties, please refer to our most recent 10-K and quarterly report on Form 10-Q. Please note that with the exception of revenue, financial measures discussed today are on a non-GAAP basis, unless otherwise noted, and have them adjusted to exclude certain charges. The non-GAAP financial measures are not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP and may be different from non-GAAP financial measures presented by other companies. A reconciliation between GAAP and non-GAAP measures can be found in the press release issued today and on the Trended Quarterly Financial Statements posted on the company's website at a10networks.com. Now I'd like to turn the call over to Drupal Chavetti, President and CEO of A10 Networks.

Drupal Trivedi | President and CEO:

Thank you, Tom, and thank you all for joining us today. A10's strategic position, aligning our solutions and technology roadmap with the persistent needs of our customers, around trusted infrastructure, cybersecurity, and AI capabilities continues to enable growth that outpaces our market peers. Our solutions emphasize high throughput, low latency, and integrated security, which our customers and the broader market increasingly view as essential. ADAN is well positioned alongside the durable catalysts that are driving spending across our markets. In the third quarter, revenue grew nearly 12% year-over-year. On a trailing 12-month basis, growth from enterprise customers in North America continues to outpace our overall company-wide growth. Revenue from the Americas has increased 25% on trailing 12-month basis, driven primarily by investment in AI infrastructure. This performance helped offset macro-related headwinds in other regions. Our global diversification continues to enable consistent performance despite macro variability. AI-related deployments

were a key driver for growth where security and performance at scale are critical. These applications are power-hungry, and our solutions deliver efficient throughput and low latency with integrated best-in-class security capabilities. This allows customers to achieve target performance with fewer devices, improving total cost of ownership while maintaining the highest levels of network performance. We continue to leverage this advantage in large data center opportunities globally. Our operating model continues to focus on discipline and leverage, converting growth into profitability and cash while reinvesting in strategic priorities. EBITDA margins expanded year-over-year from 26.7% to 29.3%, while non-GAAP operating margin expanded from 22.6% to 24.7%. This demonstrates the inherent leverage in our model, even as we continue to invest more in R&D. 8N is well positioned to serve both enterprise and service customers alike while we navigate macro uncertainty. In the world of AI, these will be harder to demarket as customers redefine their architectures. Our increasingly strong alignment with AI infrastructure build-out and adoption gives us confidence in our strategic positioning as we align investment with structural tailwinds of AI and cybersecurity. As our investments in innovation and product enhancements have taken shape, we have established ourselves as a stronger, more differentiated technology solution provider. On a trailing 12-month basis, growth stands at just over 10%. Based on momentum in key strategic initiatives, we expect full-year growth rate of 10%. With that, I'd like to formally welcome Michelle Kern, our new Chief Financial Officer, to the call. I also want to take a moment to thank Brian Becker. Brian had been an important part of the leadership team during ATEN's progress and had instituted strong processes that will continue to serve us well into the future. Michelle brings deep operational and financial expertise from complex global organizations and a proven ability to align financial strategy with growth opportunities. Her background complements ATEN's disciplined culture and long-term transformation agenda. We expect continued disciplined execution and an increased focus on capital deployment to play a role in our overall growth. Michelle's experience positions her well to help drive that next phase of the company. Michelle?

Michelle Kern | Chief Financial Officer:

Thank you, Dhruv. I'm excited to join A10 at this important inflection point. What drew me here is the combination of a strong foundation coupled with an even stronger opportunity ahead. With a proven business model, solutions that are ideally aligned with global spending trends, and a Tier 1 customer base, A10 is positioned for consistent success. I share Drew Bidd's belief that we can continue to grow both organically and inorganically, and I look forward to contributing to both sides of that growth equation. My near-term focus involves building on our solid base and driving greater consistency, predictability, and profitability as we grow. I'll be concentrating on a few key areas. First, maintaining financial discipline and transparency. better aligning our performance and market expectations. Second, driving profitable growth, balancing top-line expansion with healthy margins and cash flow. And third, maintaining disciplined capital allocation, investing where we can create the most value while continuing to return capital to our shareholders. supporting our pipeline of M&A activities, and effectively putting our cash to work will be part of this initiative. Now let me turn to the results. As Drupid noted, we delivered a strong Q3, growing revenue almost 12% to \$74.7 million, reflecting a mix of 58% product revenue and 42% service revenue. Global service revenue of \$31.6 million, grew 6%, while product revenue of \$43.1 million grew 17% year over year. Product revenue, which has been strong for the last two quarters, represents a leading indicator of future revenue. Our third quarter performance gives us confidence we're on the right track to deliver on our strategic priorities while continuing to drive rigor, building on our culture of excellence. Within our product revenue category, the third quarter reflected a greater contribution of security-led revenue, exceeding our long-term target of generating 65% of our total revenue from security-led solutions. This performance reflects customer demand and our alignment with customer needs, particularly within North America for both service providers and enterprises. Now, looking at our major verticals, enterprise customers represented 36% of Q3 revenues. As previously stated, America is our priority region, and we continue to see growth in excess of overall revenue on a trailing 12-month basis. Service provider revenue, which was 64% of total revenue, was weighted towards cloud providers. further indication of our success in strategically aligning our offerings with AI infrastructure build-out. From a geo perspective, our Americas region represented 65% of global revenue, reflecting the

benefits of A10's investments in our enterprise segment and strength of AI infrastructure build-out. As Drupad mentioned, macro-related headwinds in rest of worlds were made up for in the Americas region. Now, with the exception of revenue, all of the metrics discussed on this call are on a non-GAAP basis, unless otherwise stated. A full reconciliation of GAAP to non-GAAP results is provided in our press release and on our website. Our continued operating discipline contributed to our strong Q3 results. Non-GAAP gross margin was 80.7%, in line with our stated goals of 80 to 82%. Operating expenses were \$41.8 million, reflecting an operating margin of 24.7%, an improvement of about 215 basis points year over year. GAAP net income for the quarter was \$12.2 million, or 17 cents per diluted share. Non-GAAP net income for the quarter was \$16.7 million or \$0.23 per diluted share, reflecting a 7.4% EPS growth from the year-ago period. Diluted weighted shares used for computing non-GAAP EPS for the third quarter were approximately 73 million shares, down 1.7 million shares year-over-year, driven by our continued share buybacks. Adjusted EBITDA was 21.9 million, 29.3% of revenue, which is aligned with our long-term strategic goals. Turning to the year-to-date results, revenue for the first nine months of 2025 was 210.2 million, compared to 187.5 million, an increase of 12.1%. Non-GAAP gross margin was 80.5% year-to-date, Adjusted EBITDA was \$61.1 million year-to-date, reflecting 29% of revenue. Non-GAAP net income on a year-to-date basis was \$47.2 million, or \$0.64 per diluted share, compared to \$41.9 million, or \$0.56 per diluted share last year. On a GAAP basis, Net income for the first nine months was \$32.3 million, or \$0.44 per diluted share, compared to net income of \$31.8 million, or \$0.42 per diluted share, in the first nine months last year. I'll now turn to the cash flow and balance sheet, both of which are very strong. We generated \$22.8 million in cash flow from operations in Q3 last CapEx was \$4.7 million, with cash and investments totaling \$371 million at the end of the quarter. Deferred revenue was \$143.5 million. During the quarter, we paid \$4.3 million in cash dividends and repurchased \$11 million worth of shares. The Board has approved a quarterly cash dividend of \$0.06 per share to be paid on December 1, 2025, to shareholders of record on November 17, 2025. The company still has over \$60 million remaining of its \$75 million share repurchase authorization. I look forward to speaking with many of you in the coming weeks, gathering your feedback on our strategy and operations. I'll now turn the call back to Drupid for closing comments.

Drupal Trivedi | President and CEO:

Thank you, Michelle. We are encouraged by continued business execution and remain confident that ATEN is strategically well positioned in the market, especially as we see acceleration in AI infrastructure build-out. ATEN is positioned squarely in front of multiple durable secular catalysts. In fact, our strength in high-performance hardware and software is more relevant than ever before. We are investing to enhance our position in the enterprise space and remain aligned with key leaders in the service provider sector around the world. We believe our business model enables us to dynamically allocate resources to address changing market conditions while preserving profitability and shareholder returns. Operator, you can now open the call up for questions.

Conference Operator | Operator:

Certainly. Everyone at this time will be conducting a question and answer session. If you have any questions or comments, please press star 1 on your phone at this time. We do ask that while posing your question, please pick up your handset if you're listening on speakerphone to provide optimum sound quality. Once again, if you have any questions or comments, please press star 1 on your phone. Please hold while we poll for questions. Your first question is coming from Gary Powell from BTIG. Your line is live.

Gary Powell | Analyst, BTIG:

Hey, thanks. It's actually great stuff again for Gary. Gary's traveling today. But I just want to say congratulations on the good results. I just had a couple of questions. Thank you. Thank you.

spk00:

I appreciate it.

Gary Powell | Analyst, BTIG:

Thank you. Yeah, absolutely. I think last year security-led revenue was around 63% of the business, growing 9%. You called out 65% on the prepared remarks on the slide deck. Just how is it tracking this year, and where do you think it can go longer term?

Drupal Trivedi | President and CEO:

Yeah, good question. Thank you. I think so, you know, we had said long-term our goal was 65% because performance we see the connection between security and infrastructure as something that actually is a strength for us in the sense we want those things to work together and make it even better. So if you look at where we actually ended up in Q3, the number was higher than 65%. And so we feel pretty good continuing to maintain that goal of about 65%. And if we do better, that's great. But at the same time, we are not looking to lose infrastructure revenue in its place, right? So I feel pretty good that we have been able to improve that mix to, you know, from somewhere less than 30% to 65%. And obviously our goal is to lead with that because that tends to expose us to higher growth markets and applications.

Gary Powell | Analyst, BTIG:

Understood. Okay, that's really helpful. And then just a separate topic, and this one might be a little bit early, but F5 had a pretty bad data breach a few weeks ago. Again, like I'm sure it's, you know, a little bit early from your side, but is that something that can potentially help your customer discussions on the enterprise side of the business? Is that something that's come up at all in conversations yet, or is there any, I don't know, is there any directional commentary you could make about that?

Drupal Trivedi | President and CEO:

Yeah. Sure, yeah. No, I think good question, and I think, you know, first of all, I would say that all of us in the cybersecurity industry, right, face the same kinds of attacks and challenges that we are all resolving, right? So obviously we cannot specifically comment on anything, but I would say as we navigate that market environment and you look at, some of the key players in that space, right, including F5, of course. I think we have seen certainly an increased level of interest from customers, not necessarily wanting to change, but wanting to understand what else is in the market and what alternatives there might be towards making sure that their own infrastructure is more resilient in the future, right? So, of course, I think we'll continue to work with our customers just as we'll continue to work with the industry overall to find better ways to manage and handle cybersecurity challenges.

Gary Powell | Analyst, BTIG:

Okay. Thank you very much.

Conference Operator | Operator:

Thanks. Appreciate it. Thank you. Your next question is coming from Simon Leopold from Raymond James. Your line is live.

Victor Chew | Analyst, Raymond James (for Simon Leopold):

Hi, guys. This is Victor Chew for Simon Leopold. Hi. You noted strength in North American AI infrastructure investments in your preparing works, but can you, you know, elaborate on this, you know, some of the specific factors contributing to the upside of this quarter, you know, were there a handful of specific customers or deals, or was it more, you know, was the strength more broad-based?

Drupal Trivedi | President and CEO:

Sure, Victor, thank you. Yeah, I think so, as, of course, right, you know, well, too, the market today in AI is pretty concentrated with, several large players, and then in the longer term, we are also engaged with a multitude of players who in two to three years' time will be doing a lot more things on their own. So right now it's in the phase of initial big build-out, and then it becomes more realistic in terms of business goals, local models, and so forth. So in this phase of the evolution, certainly the benefit to us was from a few large customers who are investing aggressively into building the AI infrastructure. But we are equally engaged with customers around the world on the enterprise side as well, who will be the beneficiaries long-term as they build out their own solutions and decide how to take advantage of AI.

Victor Chew | Analyst, Raymond James (for Simon Leopold):

Great. That's very helpful. And just a quick follow-up, just to elaborate on the previous question, have you observed On the flip side, have you observed any negative collateral impact from the high-profile security breach from one of your key competitors of customers expressed specific concerns or hesitations moving forward with planned deployments?

Drupal Trivedi | President and CEO:

No, we have certainly not seen any negative impact from that. I think people are used to having to deal with public as well as private incidents in that space for many, many years to come. So it is certainly not a negative thing for us at all. And it's, you know, I would say it has certainly increased conversations we are having with customers. But at the same time, it's hard to say it's positive. But certainly there's no hesitation on customer side in terms of spending on ATEN's products, right, and holding off on that in any way. Great.

Tom Bauman | Host, Investor Relations:

Thank you. Thank you very much.

Drupal Trivedi | President and CEO:

No problem. Thank you.

Conference Operator | Operator:

Thank you. Your next question is coming from Julio Romero from Sedoti & Company. Your line is live.

Julio Romero | Analyst, Sedoti & Company:

Great. Thanks. Good afternoon. This is Julio on for Anya. Thanks for taking questions.

Conference Operator | Operator:

Thank you.

Julio Romero | Analyst, Sedoti & Company:

I'm good. Thanks. So my first question would be just it seems like the efforts you've done on the enterprise sales push have been working. Are there any more initiatives you can do there? And then secondly, where are you in the innings of expanding within this market?

Drupal Trivedi | President and CEO:

Yeah, no, good question. And I think, you know, we have been talking about that for a few periods now, right? So I think our initial thesis was around building up our capability on the product solution side as well as on the commercial execution side to get more stability with enterprise customers and growing our share. I think in the last two to three years, we have continued to see that kind of maturation process, if you will, And we believe certainly with our sales leadership currently in place, there is a lot of focus around that while we continue to support our service provider customers as well. So I would say if I had to characterize it in that sense, I would say probably we are in the third or fourth innings as we continue to build kind of our own maturation of the team, but also engagement with customers.

Julio Romero | Analyst, Sedoti & Company:

Excellent. Very helpful. And then, you know, just any preliminary thoughts you could share on how you would view 2026 shaping up for you from a top line and bottom line perspective, just at a high level at this point?

Drupal Trivedi | President and CEO:

Yeah, no, good question. And I think, you know, I would say you can see, obviously, last year was a little bit unusual year in terms of seasonality. And this year, as we talked about, we expect on a full year basis to get back to 10% growth and obviously the EBITDA results as well. As we look into the future, I would say the challenge, like everybody else, is we are dealing with uncertainties that we cannot control, such as interest rates and tariffs and everything else. But given the momentum in the business, particularly around secular tailwinds, that we are aligning more and more to. We feel that going into next year, we should be able to sustain the growth level that we are seeing now. And, you know, we obviously will continue to provide more clarity as we see it as well. But our goal is obviously to be in that high single digit range. And if the market

aligns, do better than that, but at the same time focused on our business model goals on 26% to 28% EBITDA, as well as EPS growth faster than top line.

Julio Romero | Analyst, Sedoti & Company:

Excellent. Thanks very much, and best of luck in the fourth quarter.

Conference Operator | Operator:

Thank you. Appreciate it. Thank you. Your next question is coming from Hamid Korsand from EWS Financial. Your line is live.

Hamid Korsand | Analyst, EWS Financial:

Hi. I was just wanting to see what kind of progress you've been making as far as expanding your service provider customer base?

Drupal Trivedi | President and CEO:

Yeah. No, good question. So I think, Ahmed, I would probably differentiate it in two ways. So one is, you know, we, during this year, with our existing large tier one service provider, I think there has been, like most companies have seen, a lot of pressure on CapEx. And so our efforts there have been more around improving share of wallets, and cross-selling, whether it's in U.S. or Europe or Asia, right? Where we are seeing a little bit more traction is on the Tier 2 service provider side, where it's not necessarily related to things like lead funding, but we are certainly seeing a little more activity and rollout. So our progress there is, I would say, gaining new customers that are in that category of independent or Tier 2 type service providers, with tier one, you know, in addition to waiting for CapEx, really trying to expand our footprint to sell into different business units or selling them multiple products.

Hamid Korsand | Analyst, EWS Financial:

Okay. And then just looking out to, you know, the clarity you're seeing as far as your service providers are concerned, do you have that clarity at all? You know, is it better?

Drupal Trivedi | President and CEO:

Yeah, so good question, Amit. So I would say on the service provider customer side, it probably varies. So on the ones that are exposed to more building out things like cloud infrastructure, the clarity is decent, I would say. And, you know, we have a six to nine month kind of cycle, so we generally have a reasonably good idea. On the tier one telcos in Europe, I think we have reasonably good clarity, a little slower than normal, but moving along. Japan is pretty slow, but their economy is still, you know, in a difficult spot, right? So that we, it's in line with what we expect. In the U.S. tier one service provider, I would say where they are exposed to cloud and infrastructure like that, that is good. But on the pure classic telco side, it's still a little bit choppy in the sense that They may still spend the same amount for the full year, but projecting it by quarter is still harder than it normally used to be.

Hamid Korsand | Analyst, EWS Financial:

Okay. And could you just talk about what drove that big outperformance this quarter in the EMEA region for you?

Drupal Trivedi | President and CEO:

Yeah. Sorry, Ahmed, I think you broke up for one second. Can you please repeat?

Hamid Korsand | Analyst, EWS Financial:

In the EMEA region, it seemed like on your presentation slides, that was a big revenue portion. What drove that?

Drupal Trivedi | President and CEO:

Oh, I think so in Q3, the EMEA portion, the step-up that you saw, was one big project that culminated in the period. So it's probably fair to look at that three-quarter portion and average it to be more indicative of it, and it's not like a new step level that you should expect to continue seeing that.

Hamid Korsand | Analyst, EWS Financial:

Very good. Thank you.

Conference Operator | Operator:

Thank you, Amit. Thank you. Your next question is coming from Christian Swab from Craig Hallam. Your line is live.

Greg Corder | Analyst, Craig Hallam:

Excuse me, Greg Corder. Can you give us an idea yet of – the percentage of product revenue that's tied to AI-related security products?

Drupal Trivedi | President and CEO:

Yeah, no, good question, Christian, and I think you mentioned that last time as well. So we are working internally on how to create a view that does that, and the complication for us is, you know, for many of our customers, they were, let's say, going to build 10 data centers, Now they're still building 10, but six are designed for AI and four were what they used to do before. And I think we are trying to get a better handle on that through our customers so that we are more specific and clear in how we represent that. So that's the tougher part of it. Now, when you look at our service provider growth improvement, I would say majority of it is related to because they are doing AI build out. But it's hard for me to say from the 10 data centers, they build, you know, four were AI and six were not AI, right? Because they don't market that way either. So, But that's something that's on our docket, Christian, and that we are working towards in our Q1, you know, comments to start figuring out a way to show some kind of a proxy for that.

Greg Corder | Analyst, Craig Hallam:

Great. And then, you know, when you talked about the momentum and the business sustaining itself in 26, you know, we kind of did 10%. Then you went back to high single digits. So should we just kind of assume – you know, sustaining the momentum in the business, you know, next year's top line growth objective would be, you know, 8% to 10%? Did I hear that right?

Drupal Trivedi | President and CEO:

Yeah, I think that's a fair way to look at it. So I think that sort of the line of sight we have, right, is in that range for next year as well. And as we navigate things up and down, right, it's hard to – kind of nail it down by quarter at this point, but on a full year basis, certainly we feel good that that's a good, yeah.

Greg Corder | Analyst, Craig Hallam:

Great. Now my last question, seeing the increased customer interest as an alternative given F5's recent issues, you know, when would be a logical time for those indications of interest to potentially turn to orders? Is that, you know, three months, nine months, how should we be thinking about that opportunity?

Drupal Trivedi | President and CEO:

Yeah, no, good question. So I think, yeah, as I said before, certainly we are having customer conversations and certainly, right, we wish all those customers and F5 to resolve those problems swiftly for themselves because good thing for the industry. Typical sales cycle for us in that kind of an enterprise market is six to nine months. And, you know, we are engaged or talking to customers, But roughly speaking, that's the window in which you would see it translate into incremental bookings if that were going to be the case.

Greg Corder | Analyst, Craig Hallam:

Great. No other questions. Thank you.

Conference Operator | Operator:

Thank you, Christian. Thank you. Your next question is coming from Michael Romanelli from Azuho Securities. Your line is live.

Michael Romanelli | Analyst, Aizuho Securities:

Yeah. Hey, guys, thanks for taking the questions here. Maybe to start off, I was wondering, hey, Tripit, I was wondering if you can comment on linearity in the corner and how activity has been through the month of October.

Drupal Trivedi | President and CEO:

Yeah. No, good question. And I think, Michael, that it varies a little bit by regions as well. So I would say that linearity for us, you know, outside of America has been not atypical or in line with what we expect to get to. Within America, I think there is a little bit of jitter around kind of political things and tariff and interest rate. But overall, we don't see a dramatic change in linearity relative to what we were expecting.

Michael Romanelli | Analyst, Aizuho Securities:

Got it. Okay, that's helpful. And then my follow-up, you know, it's nice to see the services revenue return to growth, you know, following consecutive quarters of decline. You know, as part of, you know, revenue algo, how should we be thinking about, you know, your services revenue growth going forward? Thanks.

Drupal Trivedi | President and CEO:

Yeah, no, good question. So you are right. I think, you know, There's a little bit of timing element to the service revenue because it's related to one-year, two-year, three-year kind of support contracts and so forth. The way you should think about it is if our product is growing at a certain rate, typically that is sold with one-year service or support contract. So one year from that date. we would have a larger eligible pool of renewals and support contract and revenue. So in that sense, product revenue growing faster means that a year from now, it could naturally lead itself to service revenue growing faster as well.

Michael Romanelli | Analyst, Aizuho Securities:

Got it. Very helpful. Thank you.

Conference Operator | Operator:

Well, thank you. Thank you, Mike. Thank you. Your next question is coming from Hendy Susanto from Gabelli Funds. Your line is live.

Hendy Susanto | Analyst, Gabelli Funds:

Good evening, Drupad and Michelle. Thank you for taking my questions. Drupad, would you talk about opportunity in AI? Like we are somewhat familiar with A10 like core application, but perhaps you can go deeper into use cases for AI for service providers, data centers. tier one service providers, like where you foresee ATEN in inferencing, for example, whether it is like what are the growth drivers in AI, whether it is traffic or security, and then whether there are things that are somewhat presenting new use cases for ATEN?

Drupal Trivedi | President and CEO:

Sure, yeah, Andy, thank you. Good question. So, you know, I think I'll do that briefly here, but For us, really, like we have done in the last several years, right, we connect everything back to our differentiation. So on the foundation level, we have hardware platforms and software that now also support higher throughput, lower latency, and GPU-based architecture. So those feed into people building out data centers, whether it's enterprise or service provider or telco or cloud, right? So that's the first foundation level. Second level is in our cybersecurity products, we have expanded coverage to where our products are able to detect and remediate threats that occur now because of AI traffic. And that would be things like prompt injection and loss of PII data and so forth, right? So that's a expansion of our networking know-how to now handle new kinds of threats that happen because of AI. Third is obviously we are working with our customers on a longer-term basis to understand how we can look at traffic data from a long period of time in complex networks and use AI tools to drive predictive analytics, which ultimately for them helps do better things around network planning, resource management, and which is ultimately their cost of building and running a network, right? So that's the range of things we do. So we don't come into it thinking we are a new AI startup. What we do is we know 20 years of networking. We know cybersecurity. We have a large team of people, a lot of young graduates as well, who are AI engineers. And what we are doing is we are taking our know-how in networking and security and using

that as a foundation to create AI solutions that are value-creating for our customers.

Hendy Susanto | Analyst, Gabelli Funds:

Got it. And, Drupad, I think when you talk about U.S. service providers, you refer to tier one. What does the opportunity in tier two service provider look like at ATEM now?

Drupal Trivedi | President and CEO:

So I think, you know, broadly, so this is not AI, right? But broadly speaking, I think in the tier two service provider side, a few years ago, right, there was a lot of discussion of government spending, rural broadband, things like that. Obviously, that has changed quite a bit, particularly with the government actually in shutdown now. So it's not that, but it's more that for those kind of carriers, our solution does not require them to fully rip and replace everything they do and then figure out how to monetize it or pay for it, right? Our solutions are more aligned on getting more out of those networks, doing more virtualization, things like CGNAT, which allows them to reuse addresses cheaper. And so our progress there is more, on an economic value proposition based on our technology. It is not a substitute for a tier one who might spend, you know, five times as much, right? But it is something where we continue to see good resonance with our technology and solutions.

Hendy Susanto | Analyst, Gabelli Funds:

Okay. Thank you, Rupal.

Drupal Trivedi | President and CEO:

Thank you, Andy. Thank you, Andy.

Conference Operator | Operator:

Thank you. That concludes our Q&A session. I will now hand the conference back to Drew Piccioveti for closing remarks. Please go ahead.

Drupal Trivedi | President and CEO:

Thank you. And thank you to all of our employees, customers, and shareholders for joining us today and for your continued support. I am increasingly confident in our strategy and about our future. Thank you for your time and attention.

Conference Operator | Operator:

Thank you. Everyone, this concludes today's event. You may disconnect at this time and have a wonderful day. Thank you for your participation.