

# NYSE:ATEN Q1 2026 Earnings Call Transcript

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## **Operator | Conference Operator:**

Greetings. Welcome to the A10 Network's first quarter 2026 financial results conference call. At this time, all participants are in a listen-only mode. A question and answer session will follow the formal presentation. I will now turn the conference over to your host, Tom Bauman. Sir, you may begin.

## **Tom Bauman | Host, Investor Relations:**

Thank you. And thank you all for joining us today. This call is being recorded in a webcast live and may be accessed for at least 90 days via the ATEN Networks website at [atennetworks.com](http://atennetworks.com). Hosting the call today are Drupal Trivedi, ATEN's president and CEO, and CFO Michelle Karan. Before we begin, I would like to remind you that shortly after the market closed today, ATEN Networks issued a press release announcing its first quarter 2026 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, April 28, 2026. 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. K-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 been 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. It may be different from non-GAAP 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](http://a10networks.com). Now I'd like to turn the call over to Drupal Trivedi, President and CEO of ATAN Networks.

## **Drupal Trivedi | President and CEO, ATEN Networks:**

Thank you, Tom, and thank you all for joining us today. ATAN continued to deliver on our strategic plan centered around the current AI-driven demand cycle while simultaneously focusing on disciplined execution. Our customers are seeking solutions to address two major challenges, accelerating traffic volume and complexity, and emerging security threats in the rapidly evolving AI landscape. ATEN is well positioned to address both these challenges. We delivered 13.4% revenue growth in the first quarter. This was our third quarter in the last four with double-digit growth. On a trailing 12-month basis, we have grown revenue by 12.1% and delivered TTM-adjusted EBITDA margins of 29.7% in line with the rule of 40 we outlined several years ago. During the same period, we have grown service provider revenue by 11% and enterprise revenue by 13%, demonstrating the importance of the strategic shift we have made. A key contributor to our growth is the relevance of our core platform, to the demands of AI infrastructure build-out, which create new challenges with greater traffic within the networks. As a result, traffic management is returning to the forefront of build-out

plans, and this trend is aligned with ATEN's history and core expertise. Second, AI is evolving rapidly, creating new threats and expanding the footprint of security concerns. For most of the last decade, ATAN has prioritized security advancement in each of our solutions. During this period, we have built a security portfolio that is now directly in the path of AI driven threat expansion. This quarter, we were selected as a technology partner for a new application at one of the most significant AI infrastructure build outs in our industry. As a result, the customer behind this build-out represents a high percent of total revenue this quarter. The expansion of the customer's commitment to their enterprise applications reflects our focus on and relevance of next generation networking. Deployments of this scale are time sensitive and technically demanding, and it required prioritized allocation of product, inventory, and engineering resources. This was a deliberate choice to support a strategic customer and partner through a time-sensitive deployment window. We believe capturing this opportunity at the right cadence creates long-term value for the business. I also want to highlight a dynamic I believe is increasingly important to our story. AI is transforming the distinction between how large enterprises and service providers build their networks. The workloads are the same, the performance demands are the same, and security requirements are the same. What this means practically is that a Fortune 500 customer standing up an internal AI cluster is now evaluating the same architectural choices as a cloud provider. A service provider hosting AI workloads for their enterprise tenants is being held to the same standard as its customers' own data centers. We have built our platform for exactly this world. One architecture, one operating model, one security framework across both segments. That is a meaningful competitive advantage as this convergence accelerates, driven by AI. Our disciplined operating model balances targeted investment with margin expansion converting growth into profitability and cash while dynamically reinvesting in strategic priorities. We continue to meet our objectives for EBITDA margin, reflecting our ability to reallocate resources based on best business opportunities. This results in consistent revenue and EPS performance. With that, I'd like to turn the call over to Michelle Caron, our Chief Financial Officer, to review the numbers in more detail. Michelle.

### **Michelle Karan | Chief Financial Officer, ATEN Networks:**

Thank you, Dhruvid. As a reminder, with the exception of revenue, all of the metrics discussed on this call are a non-GAAP basis unless otherwise stated. A full reconciliation of GAAP to non-GAAP results are provided in our press release and on our website. So let me turn to the results. As Drupad noted, Q1 results were aligned with our business model goals and delivered revenue growth of 13.4% to \$75 million. Turning to MIX, product revenue was \$44 million or 59% of total revenue, growing 22.3% year-over-year with service revenue comprising the remainder. Security-led revenue was a strong driver of our product revenue growth and continues to meet or exceed our long-term goal of security-led revenue as a percentage of total revenue. Security remains the dominant revenue driver across our next-gen networking, legacy networking, and network security solution areas. Turning to our major verticals, enterprise customers represented 56% of Q1 revenues, with Americas continuing to outpace overall enterprise revenue growth. While first quarter benefited from timing of large orders, this segment continues to grow above company average in terms of results as well as outlook. Enterprise momentum reflects the combination of our focus on this segment as well as continued strong demand for our next-gen networking solutions as customers prioritize modernizing their infrastructure. Our customers across both segments are aligning on the same underlying requirements for performance, security, and scale. From a financial lens, this convergence is showing up in larger opportunities with our enterprise customers. Service provider revenue was 44% of total revenue in the first quarter. Both verticals align with our strategy and reflect the alignment of our offerings with AI infrastructure build-outs. ATEN has evolved its solutions to be well-positioned to capture this next-gen networking demand while also addressing legacy refresh opportunities as this market transition progresses and customers resume investment while continuing to align their evolving priorities around performance, scale, and security. From a geographical perspective, our Americas region represented 67% of global revenue, driven by continued investment in AI infrastructure build-outs. In EMEA, we saw headwinds related to regional conflicts. In APJ, spending remains conservative as customers navigate an uncertain capital environment. We're not losing market share or experiencing competitive displacement. Rather, customers are extending asset lives

and deferring discretionary spend. Q1 operating results reflected our continued investment in our strategic initiatives as well as our financial discipline amidst temporary input cost pressures. Non-GAAP gross margin was 80.6% in line with our stated goals. Operating expenses were \$41.5 million as we prioritized investments in AI-facing innovation, next-gen networking, and security. Operating margin was 25.2%, resulting in net income of \$17.7 million, or 25 cents per basic and 24 cents per diluted share. Q1 diluted weighted share count was 72.9 million shares. Operating cash flow and therefore free cash flow in the quarter was temporarily impacted by the timing of receivables as well as inventory investments. Neither item reflects a change in underlying business fundamentals and we expect both to normalize over the course of the year. Full year free cash flow expectations remain unchanged, expanding on a year over year basis. Adjusted EBITDA was \$22.5 million, 30% of revenue, consistent with our business model goals as we balance investment and growth initiatives with our commitments to sustained and expanding profitability. Turning to the balance sheet, cash and marketable securities were \$369.7 million as of March 31st, and deferred revenue was \$147.2 million. During the quarter, we paid \$4.3 million in cash dividends and repurchased \$2.5 million worth of shares, returning a total of \$6.8 million to our shareholders. The board has approved a quarterly cash dividend of \$0.06 per share to be paid on June 1, 2026, to shareholders of record on May 15, 2026. The company has 53.4 million remaining on its \$75 million share repurchase authorization. As is true for everyone in the industry, we are seeing delivery and cost challenges related to pricing of certain components. We entered this environment with strong supplier relationships, and we will keep evaluating the evolving market and adapt as needed. I'll now turn the call back over to Drupad for an update on our 2026 outlook and closing comments.

### **Drupal Trivedi | President and CEO, ATEN Networks:**

Thank you, Misha. ATAN continues to strengthen its position as a partner of choice to address the evolving traffic and security needs of next-generation networks. The strong financial results, including double-digit growth and solid EBITDA margins, validate the strategic investments we have made. As a result, ATEN is well positioned in front of multiple durable secular catalysts. We continue to invest to enhance our position across our portfolio while preserving profitability and shareholder returns. We are re-trading our 2026 outlook with 2026 revenue growth within our guided range of 10% to 12%, adjusted EBITDA margins between 28% to 30%, and EPS growth of 12 to 14%. In addition, we remain confident and committed to our long-term operating model. Operator, you can now open the call up for questions.

### **Operator | Conference Operator:**

Thank you. At this time, we will be conducting a question and answer session. If you would like to ask a question, please press star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions. Once again, please press star one if you have a question or a comment. Our first question comes from Gray Powell with BT IG. Please proceed.

### **Gray Powell | Analyst, BT IG:**

Okay, great. Thanks for taking the question, and congratulations on the very strong set of results. It was really good to see the product revenue growth accelerate to 22% this quarter. So I guess my first question would just be, where do you think we're at in the investment cycle around AI today? And if you start to see a further acceleration in traffic growth, would you think about prioritizing faster revenue growth over the historical 28 to 30 percent, even the margin framework that you've always talked about?

**Drupal Trivedi | President and CEO, ATEN Networks:**

Yeah. First of all, thank you. Good question. So in terms of, I think, the investment cycle, as I think we have said in the past, that we see this as there is a large build-out phase. and where we are actually focused with customers is in that phase, but also with customers who will over time deploy their own solutions, whether it's around sovereign AI and things like that. So the second part of that cycle, I think, is very early stage, and we expect to see that benefit next few years. The first part of the cycle, I think, is pretty active build-out. I don't I don't know how much higher it will go or lower it will go, but it is pretty solid and stable in terms of the significance committed to the build-out, and even though the build-out itself takes several quarters. So I think we are in the midst of that build-out phase, and we are at a very early stage of where enterprise and other entities will use AI for their own business more directly, whether it's on-prem or cloud or combined. And I think your second question is correct and appropriate. So we certainly continuously look at that trade-off and I would say, you know, the focus for us is if there are opportunities to grow faster, typically that also helps in growing EPS faster, right? So I think We look at it from a point of view of revenue and EPS being the ultimate top and bottom line. And the EBITDA margin is a reflection of our ability to drive kind of OPEX productivity as well as maintain sufficient margin that the fall through is good. But absolutely, I think as we navigate the market and if we see opportunities for significantly faster growth while still delivering EPS expansion, we continue to look at those.

**Gray Powell | Analyst, BT IG:**

That's perfect. And then just my follow-up question, if that's okay. So you called out the large customer win. I'm assuming that hit in the enterprise segment because the revenue growth there really spiked. Is there any additional detail you can give? Was that one of the larger frontier models? And if not, just how should we think about sort of the split between growth and enterprise and service provider going forward?

**Drupal Trivedi | President and CEO, ATEN Networks:**

Yeah, no, perfect question. And I think I touched on it very briefly, but that's a great question. So I think, first of all, what we are seeing is that many of our large customers that were traditionally SP or enterprise, there is a complication where a lot of our SP customers when they are doing AI are sort of also doing a lot of enterprise applications. And so that's really where that becomes hard to segregate completely. And then enterprise customers are planning to build their own on-prem inference models and build out. So in that case, they look like a service provider, right? So that's the demarcation. And I think This is a case of an existing large customer expanding their deployment, and it's really around an enterprise application, so it's not the DDoS-type product, and it's an enterprise application that enables their delivery of AI.

**Gray Powell | Analyst, BT IG:**

Understood. Okay, thank you very much. Yeah, no problem. Thank you.

**Operator | Conference Operator:**

The next question comes from Hamid Corson with BWS Financial. Please proceed.

**Hamid Corson | Analyst, BWS Financial:**

Thank you for taking the call. Just for clarification purposes, was this one accounts receivable bill, was it all related to this one large project, and did you all receive payment for it?

**Drupal Trivedi | President and CEO, ATEN Networks:**

Oh, good question. Michelle, you can answer that.

**Michelle Karan | Chief Financial Officer, ATEN Networks:**

So this is a calendar event and not a credit event. Right. So our business fundamentals remain strong. There was no meaningful uptick in our aged receivables or there were no deterioration in our payment behavior. There were no concessions on standard payment terms with any customers. So we see the business fundamentals as favorable.

**Drupal Trivedi | President and CEO, ATEN Networks:**

And I think you are correct. We expect it to be in Q2 in addition to the original Q2.

**Michelle Karan | Chief Financial Officer, ATEN Networks:**

We expect things to normalize over the course of the next couple of quarters and expect the full year to be on track.

**Hamid Corson | Analyst, BWS Financial:**

And then just given the growth that you saw in Q1, why the hesitation to keep guidance unchanged if you're growing in excess of, you know, 10 to 12% in Q1?

**Drupal Trivedi | President and CEO, ATEN Networks:**

Yeah, I think it's more that we are still, you know, in Q1 and I think we want to see the progression through the year and if we see that momentum continuing in Q2 and beyond, obviously we will revisit that. So it's not, it's just that we are navigating obviously things that from a time perspective, right, including supply, lead times and cost challenges for some components, and obviously our EMEA business has little impact from some conflicts there, et cetera. So we feel really good about 10 to 12%. And if we see that progress in terms of pipeline growth and execution into Q2, obviously we will revisit that habit. So fair question. Yeah.

**Hamid Corson | Analyst, BWS Financial:**

All right. Thank you. Thank you.

## **Operator | Conference Operator:**

The next question comes from Michael Romanello with Mizuho. Please proceed.

## **Michael Romanello | Analyst, Mizuho:**

Hey, guys. Thanks for taking the question. So, yeah, I mean, in the press release, you guys noted that you're seeing expanded commitments from some of your top customers. Just want to dive, you know, a bit deeper into that comment. So outside of this large project, like how is, you know, business activity across the install base? You kind of get a feel for, you know, I guess the magnitude or size of this and just how business was, you know, excluding that large project. And then I have a follow-up.

## **Drupal Trivedi | President and CEO, ATEN Networks:**

Yeah, so I think that the intent of that, Michael, was really to highlight that, you know, many of our existing customers who were service providers or large enterprise are all beginning to allocate more spending and priority to AI, whether it's building it or using it. And so in general, what we are seeing is even if they were buying certain other product categories from us, this is an area of expansion for us. And that's the basis for the comment of expanded commitment, right? So it could be a service provider in Europe who's also now doing enterprise, or it could be somebody like that, as well as an enterprise customer. who is now deploying or expanding their AI infrastructure and build out. So it could be any of those kinds of things.

## **Michael Romanello | Analyst, Mizuho:**

Okay, got it. That's helpful. Thanks, Drupal. And then, you know, just as my follow-up, you know, you touched on this in the prepared remarks, but you maybe just, you know, characterize demand and, you know, business activity across your primary geos. You know, it sounds like some parts of the business are still challenged. Anything worth highlighting or calling out this quarter? Thanks.

## **Drupal Trivedi | President and CEO, ATEN Networks:**

Yeah, no problem. So I think, you know, maybe I'll go in reverse order, right? So we talk about Japan and that market is, if you look at all their macro factors and spending pattern, there is caution with a lot of reasons, right, that they keep siding. And what we see is Typically, what would have been a spending profile of the large customers there is getting pushed out more to the right because it's both ends of it. It's not just being worried about cost or international issues or something. It's also concerned around deploying more CapEx when there is not that much GDP growth and expecting to recover it from an ROI as well. I think we see that as a region where we are very focused on maintaining those customers, staying close to them, helping them solve problems now and expect that to come back. But we don't see imminent, right? It could be later and we don't know exactly. AMIA, I think, as you can imagine, there's a section of AMIA which is quite challenged with active activity with international news, obviously. And so I think that is uh, part that is not, uh, kind of growing well. Uh, but we continue to see progress and improvement in our business in, uh, core Europe, uh, part of that segment. Right. So, uh, but obviously the middle East part is a little bit harder right now. The, uh, and then when it comes to America, I think, uh, uh, there's obviously two categories, right? So we see customers who are, leaning more into AI are more optimistic and spending more and are more outward looking towards wanting to be participating in that. On our traditional sort of telco customers, what we are seeing is stability, I would say. So I think it's not where it's declining anymore for sure, and it's not growing, but it's very stable right now, right? And it could improve in the future as those customers as well figure out their AI spending and deployment patterns. But we certainly see the spending on AI as being the biggest in Americas or U.S., And I think, and then Namiya and then Japan, we continue to make progress, including on

AI solutions in Japan. But the spending is correlated, obviously, to economy and outlook. And we are mostly focused on ensuring customer satisfaction.

**Michael Romanello | Analyst, Mizuho:**

That's helpful, caller. Thanks, Ruben.

**Operator | Conference Operator:**

Yeah, no problem. The next question comes from Anya Soderstrom with Sudoti. Please proceed.

**Anya Soderstrom | Analyst, Sudoti:**

Hi, thank you for taking my questions and congrats on the next quarter. In the past, you said that the product revenue is indicative of the services growth, right? And we've seen the products growing quite nicely over the past couple of quarters, but the services have been lagging. What's the lag that we see there when they expect the services to pick up?

**Drupal Trivedi | President and CEO, ATEN Networks:**

Yeah, no, good question, Ania. So I think, you know, if you think about it, typically the way the product is sold is when you have product growth in four quarters time, that contract or support comes up for renewal. And so typically you would see that in the fifth quarter, right after that, meaning for four quarters, they already are covered. And then at the end of fourth quarter, they have to renew, which goes into the support pool again. And so product growing faster will show up in service improving in, you know, four quarters later, roughly, right? So that's one dimension of it. The second I think is, you know, I think our renewal rate is fine, very stable. I think, and we continue to manage, you know, services with customers. There is sometimes timing fluctuation a little bit because of large contracts and renewal time and early or late collections and so forth. But you are correct. It should be a lead indicator for service revenue growing faster in roughly four quarters.

**Anya Soderstrom | Analyst, Sudoti:**

Okay, thank you. And then in the past, you also talked about taking shares from competitors. Have you seen any changes to the concept? competitive dynamics recently?

**Drupal Trivedi | President and CEO, ATEN Networks:**

Good question. So, no, we really have not seen any significant changes since the last quarter or two. And I think, you know, I feel confident in, you know, what our trajectory is and what we are doing because if you look at even our peers and even their recent kind of reports or outlook, 10% to 12% is still a little bit north of most of them. So we feel if we continue that and can continue to improve on that as well, we are in a good competitive position and I would say no real change in the dynamics in terms of the specific landscape.

**Anya Soderstrom | Analyst, Sudoti:**

Okay, thank you. That was all for me.

**Drupal Trivedi | President and CEO, ATEN Networks:**

Thank you, Anya.

**Operator | Conference Operator:**

Next question comes from Ben Textall with Craig Hallam. Please proceed.

**Ben Textall | Analyst, Craig Hallam:**

Hey, guys. I'm on for Christian Schwab here. Hey, Ben. Just a quick question on the 10% to 12% reiterated. Is that going to be kind of a step function every quarter, or is it a stronger second half? And then with that, is that tied to just the continued growth and market share gains, or is that concentrated of a few customers?

**Drupal Trivedi | President and CEO, ATEN Networks:**

Oh, no, I think that's a good question. So I think it's broad market share, obviously. And the reason I think, Ben, we reiterated this here is because we had our investor day subsequent to the earnings call in Q1. So this is not indicative of a new trend where we will be doing that every quarter. This was just reiterating and recapturing in one place because we had announced that again at the analyst day, right? So So that's the objective. And so it's not indicative of us saying we will be guiding every quarter.

**Ben Textall | Analyst, Craig Hallam:**

All right. And then just thinking about, I believe you guys said it was 12%. was a long-term target. Is there, you know, with legacy decreasing and there's stronger keggers, you know, mid-teens even was previously stated on Investor Day. Is there any, with those mid-teens keggers and legacy down, is there a path to exceed that 12%? Is there anything that you guys think that needs to happen to get there?

**Drupal Trivedi | President and CEO, ATEN Networks:**

Yeah, sure. No, I think, so I think the factors, right, I think there's, too. And we touched upon one in one other earlier question. So certainly if we see stability and in demand and supply, uh, as we go through the year, we will continue to evaluate. I think certainly, uh, AI spending could be one of those factors that helps us, uh, improve that in terms of our participation in that spending profile. So that's probably evolving, right? Obviously. And the second factor was, uh, we had talked about the notion of the mix shift. So as we grow next generation network and security solutions faster than legacy, we are also automatically exposed to higher growth rate markets, right? So I think through that evolution, I think we had said obviously, right, more than 12% next year and beyond. So I think the mix shift is helpful in being exposed to higher growth market. Second is to the degree that we can get more embedded into AI build-out, whether infrastructure or application is the second factor, right? And third is long-term, we don't know, but when SP spending resumes to more normal rates, that obviously helps us, right? So we don't need all three. But we need one or two of them to be more confident of raising it immediately. Great.

**Ben Textall | Analyst, Craig Hallam:**

That's perfect. A lot of my other questions were hit on. Thanks, guys. Thank you, Ben.

**Operator | Conference Operator:**

The next question comes from Simon Leopold with Raymond James. Please proceed.

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

Hi, guys. This is Victor in for Simon Leopold. Hey, Victor. Can you provide some color... Hi, guys. Can you provide some color around the supply chain and kind of memory shortages? You mentioned you observed some impacts around that this quarter. Have you, you know, adjusted pricing around this? And, you know, if so, how is that impacting kind of the demand dynamics that you're observing?

**Drupal Trivedi | President and CEO, ATEN Networks:**

Yeah, it's a good question, right? So I think, obviously, as well-known, right? The memory is the biggest. There's other component shortages, but, you know, and certainly sort of the DDR category is the most specifically the biggest one. And we have seen the same price increases. And I think it's more than just price increase. It's also lead time and allocation, right, from the suppliers. So we absolutely see that phenomenon as well. And we are continuously ensuring that, you know, on one hand obviously driving demand but on the other hand also trying to do as much as we can to line up enough supply in the next few quarters right where it's like it's not expected to get better in like let's say four quarters maybe at least maybe more so so absolutely we see the same phenomenon we all of us use almost the same three or four major memory suppliers right and we are navigating it the same in terms of securing supply uh managing costs but also managing our ability to fulfill kind of customer needs and you know we'll continue to do that and i think it's uh it's obviously something we have to navigate and there's no as of now when we say 10 to 12 that is not an area we are worried about. We can achieve that and we'll continue to work towards improving that and making it, you know, not be an issue for us. But it is certainly a cost issue. We, I think as we said in the past, we try to split that with customers as much as we can and doesn't always work. And sometimes it does. And, you know, we will continue to navigate that.

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

Okay, great. And I think you also mentioned the benefit of timing, you know, some large orders. Was that related to that large enterprise order specifically or was there maybe some kind of pull-ins that maybe you observed from customers kind of, you know, pulling in orders ahead of these shorties?

**Drupal Trivedi | President and CEO, ATEN Networks:**

No, no, I don't think it's that. I think it's not, yeah, good question. So it's not a question of, people kind of overbooking it to book capacity. I don't think that's the issue. I think in our case, it's more our customers are looking at building out things fast and we are trying to keep up with them to make sure we get them everything they need. So it's more of that phenomenon versus I don't think at least we don't have a concern around double bookings and things like that at all. Thank you. No problem. Thank you.

**Operator | Conference Operator:**

We have reached the end of the question and answer session, and I will now turn the call over to Drupad Trivedi for closing remarks.

**Drupal Trivedi | President and CEO, ATEN Networks:**

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 strategic orientation with security and AI infrastructure spending patterns. Thank you for your time and attention.

**Operator | Conference Operator:**

This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.