Q1 2026 Earnings Script

JAMIE:

Thank you, operator. Good afternoon and welcome to AvePoint's first quarter 2026 earnings call. With me on the call this afternoon is Dr. TJ Jiang, Chief Executive Officer; and Jim Caci, Chief Financial Officer. After preliminary remarks, we will open the call for a question-and-answer session.

Please note that this call will include forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from management's current expectations. We encourage you to review the Safe Harbor statements contained in our press release for a more complete description.

Please note this presentation describes certain non-GAAP measures, including non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating income and non-GAAP operating margin, which are not measures prepared in accordance with US GAAP. The non-GAAP measures are presented in this presentation as we believe they provide investors with a means of understanding how management evaluates the company's operating performance. These non-GAAP measures should not be considered in isolation from, as substitutes for, or superior to, financial measures prepared in accordance with US GAAP.

A reconciliation of these measures to the most directly comparable GAAP financial measures is available in our first quarter 2026 earnings press release as well as our updated investor presentation and financial tables, all of which are available on our Investor Relations website.

With that, let me turn the call over to TJ.

TJ:

Thank you Jamie, and thank you to everyone joining us on the call today.

Q1 was a strong start to the year. Our leadership at the critical intersection of data protection and security, combined with the growing demand for AI-ready solutions, allowed us to again exceed our guidance on both the top and bottom line. Q1 also marks our twelfth straight quarter of double-digit growth in organic net new ARR, which we delivered while driving more than 730 basis points of GAAP operating margin expansion.

Importantly, we are delivering strong results during a rapid shift in the market. It wasn't long ago that AI discussions with customers focused entirely on models and productivity gains. But as AI is becoming deployed more widely and evolves from assistants to autonomous agents, data access increases exponentially and data governance becomes top of mind.

Today, when I meet with customers and partners globally, the question is no longer "what can AI do for my organization?" but rather "can I trust, govern, and operate AI safely, and at scale?" In short, the conversation has pivoted away from productivity and toward something far more important – enterprise trust in this new, enormously powerful technology.

This is where I would like to focus my time today – how organizations can achieve this level of confidence, and why AvePoint is uniquely positioned to deliver on this demand.

To answer this question, it's first important to understand the AI stack today, which starts with infrastructure – energy, chips, physical compute hardware, and so on. These components are important, but it's also fair to say that they're table stakes today, and are quickly becoming commoditized.

The real center of gravity, not surprisingly, has shifted to data – the knowledge that powers AI and fuels the next two layers: AI models and agentic AI. For every organization, it's **here** where value is created, but it's also where risk multiplies, because every AI system inherits and leverages what sits underneath it. And weak data governance and poor data controls lead to bad decisions and security risks, in turn destroying trust. Ultimately, once trust is lost, AI doesn't scale.

This is critical, because as AI agents operate more autonomously across enterprise productivity apps, companies truly need a "trust layer", so that they can scale AI adoption without losing control of data security, privacy and compliance.

It's equally critical to understand why it's different now, and what exactly has changed for enterprises seeking to govern data. At a high level, the most commonly leveraged productivity tools today – like Microsoft 365, Google Workspace, Salesforce and others – were originally designed for human productivity, and NOT autonomous AI execution. As a result, with the rapid emergence of AI tools that are processing more information at greater speeds and scale than ever before, data governance must also evolve.

This is exactly where AvePoint comes in, and the customer demand for this trust is the real AI opportunity we see. It's why we are building the trust layer for AI – spanning data, governance, risk, and operations – so that organizations can deploy AI securely, responsibly, and with confidence.

We believe that organizations can only trust AI when they prioritize three things:

- First, precisely control what AI can access;
- Second, govern and audit every action AI takes; and
- Finally, recover instantly when something goes wrong.

This trust layer must do all of these continuously, all while maintaining data lineage across both unstructured and structured data sources. The resulting contextual data is an enormous competitive advantage for AvePoint, and truly distinguishes us from legacy point solutions and backup-first vendors. And this differentiation was also recently validated by Gartner, who specifically cited AvePoint's comprehensive set of capabilities and platform-first strategy as superior to native offerings like Microsoft's Agent 365.

Let me bring this to life by discussing our integrated approach, along with some specific capabilities and recent enhancements to our platform:

- First, **See**: we offer unified, real-time visibility across the entire data estate, including what AI agents touch and how access patterns change. New this quarter, organizations can now see across their entire agent stack, including Copilot Studio, Microsoft Foundry, SharePoint agents, and Gemini Enterprise, all within one screen in AgentPulse.
- Second, **Govern**: our platform provides automated policy enforcement, compliance standards, and access controls across every environment and workload, including AI agents acting as virtual employees. This quarter we launched a new risk definition for AI agents, so organizations can better access more information about agent security and correct problems automatically. This is especially critical, because unmanaged agents can lead to runaway costs and expose sensitive data without proper oversight.

- And lastly, **Recover**: we ensure granular, automated recovery from any failure, whether caused by ransomware, human error, or autonomous AI activity. And the speed with which we can do this is unmatched, as we can often recover several petabytes of data per hour. Lastly, we made significant investments into Google Cloud protection this quarter and recently added multi-SaaS backup sources like Okta, Confluence, Jira, Docusign, Monday.com, GitHub and Smartsheet, adding to our growing library of protected data.

This integrated approach – See, Govern, and Recover – is powerful, because it transforms AI risk into a manageable variable, and ensures that the trust layer is a foundation for AI-driven growth. And it is resonating across the market, firmly cementing AvePoint as foundational infrastructure that enables safe AI deployment at scale.

A great example of this is a U.S. pharmacy benefits manager that became a new AvePoint customer in Q1. They wanted to roll out Copilot, but knew they faced data sprawl issues, with little visibility and control over 500 terabytes of unclassified data. Seeking a single vendor who could address multiple strategic use cases, they purchased our highest tier Control bundle, along with Opus from our Resilience suite, ultimately choosing AvePoint because our automated governance, lifecycle and access controls would enable them to deploy Copilot with confidence and streamline the regulatory audits they face on a regular basis. They also plan to use our Modernization suite for future data consolidation efforts aimed at reducing their tech debt and retiring their on-prem footprint.

The customer need to rapidly address multiple strategic use cases is extremely common today, given the number of ecosystems and applications our customers are using. And the ability of our platform to protect and govern data, regardless of where it resides, is a unique competitive advantage.

This was the driver for a large transportation and logistics conglomerate, which initially engaged AvePoint during the pandemic to decommission an on-premises data center and migrate roughly 50 terabytes of file-share data to Microsoft 365. This effort went beyond a basic migration: the customer needed to preserve permissions, retention policies, and governance while modernizing their environment. AvePoint supported this transformation with capabilities spanning modernization, control, and resilience, enabling a secure transition to the cloud with strong governance and operational oversight. As the customer's environment matured, the relationship expanded to include broader governance and data protection.

In 2025, when the customer began planning a shift from Microsoft 365 to Google Workspace, AvePoint's multi-cloud capabilities became increasingly strategic. The platform helped prepare data for transition through classification, policy management, insights, and cleanup, ultimately leading to a Q4 2025 award for data transformation services supporting the move. Rather than being displaced, AvePoint's role strengthened, providing consistent governance and resilience across cloud environments. This foundation also supports the customer's AI readiness as they adopt Google Workspace and Gemini, ensuring data is trusted, controlled, and recoverable. And lastly, the foundation enables real-time situational awareness for the customer, where our platform's advanced reasoning can identify and surface urgent logistics action items, such as a delayed shipment or an unread thread about a critical rate change, before it is too late. Looking ahead to a planned 2027 migration into the parent company's Google tenant, the engagement exemplifies AvePoint's land-and-expand strategy—evolving from modernization to a strategic platform for multi-cloud governance, resilience, and AI-enabled collaboration.

This need for integrated platform solutions that deliver rapid, automated value against multiple strategic use cases is only growing, especially in the highly regulated industries that represent the majority of our business. For example, effective data governance in the healthcare industry is more than better visibility and oversight; it's about patient safety, regulatory compliance, and operational resilience. One of our largest customers recently shared that bundling AgentPulse within the broader governance capabilities of our Control Suite has provided them visibility into thousands of agents, without having to make a separate business case related to their M365 deployment. And we are hearing similar feedback from partners – our latest report conducted in partnership with Omdia, the leading global channel technology market research firm, revealed that nearly half of MSPs want a complete platform integrated with other core tools, and 91% say that integrating data backup and disaster recovery delivers stronger data governance than offering them separately.

We saw this many times in Q1 with existing customers who added to their AvePoint deployments, and we continue to believe that our nearly 30,000 customers still represent an enormous growth opportunity for us. For example, an Austrian luxury goods conglomerate that already owned Opus needed to ensure business continuity as well as tailored, lengthier retention policies for their data in M365. With native capabilities not allowing for this level of customization, they purchased Cloud Backup from our Resilience suite in Q1, and we are now discussing the many strategic use cases that can be addressed with our Control suite.

Despite the noise across the software space for the last few quarters, our strategic priorities have not changed, and our conviction in our 2029 goal of $1 billion in ARR remains as strong as ever. The relentless growth of data and the growing demand for platform solutions that enable AI deployment at scale will ensure that AvePoint remains a top priority for enterprises around the world, and we are excited for a strong 2026.

Thank you again for joining us today. I'll now turn it over to Jim.

JIM:

Thanks, TJ, and good afternoon, everyone. Thanks for joining us today.

Our first quarter results were an excellent start to the year and a continuation of the healthy momentum and market demand with which we closed 2025. As I discussed last quarter, very few software companies have AvePoint's organic growth profile, scaling operating margins and GAAP profitability, material cash flow generation, and healthy SaaS KPIs. Our Q1 results once again highlight these strengths, and demonstrate our ability to consistently execute on our commitments to shareholders.

So let's turn to the quarter. Total revenues in Q1 were $117.2 million dollars, representing 26% growth year-over-year and above the high end of our guidance. On a constant currency basis, total revenues grew 20% year-over-year.

SaaS revenues were $93.4 million dollars, growing 35% year-over-year and representing 80% of total Q1 revenues, surpassing last quarter's record and exceeding our mix expectations. On a constant currency basis, SaaS revenues grew 29% year-over-year.

Term license and support revenue declined 29% year-over-year and represented 8% of Q1 revenues, compared to 12% a year ago. I would also point out that beginning this quarter, we are now including our legacy maintenance revenues in the term license and support revenue line item for all periods presented, given that maintenance is now immaterial to our total revenues. Lastly, services revenues grew 33% year-over-year to $14.5 million dollars, representing 12% of Q1 revenues. As a result, 88% of our Q1 revenues were recurring. And on a constant currency basis, Services revenues grew 27% year-over-year.

Our healthy momentum is also evident when we look at revenue performance by regions. In North America, total revenue growth was 21% year-over-year, driven by SaaS revenue growth of 32%. In EMEA, total revenue growth was 30% year-over-year, driven by SaaS revenue growth of 39%. And in APAC, total revenues grew 28% year-over-year, driven by SaaS revenue growth of 37% and Services revenue growth of 46%.

On a constant currency basis, EMEA SaaS revenues increased 26%, while total revenues increased 18%. And for APAC, SaaS revenues increased 32% on a constant currency basis, while total revenues increased 22%.

The same topline strength by region is evident when looking at ARR. In Q1, North America ARR grew 21%, EMEA ARR grew 32%, and APAC ARR grew 27%, as we ended the quarter with total ARR of $435.2 million dollars. This represents year-over-year growth of 26%, or 23% after adjusting for FX. As a result, net new ARR in Q1 was $18.4

million dollars, representing growth of 17% year-over-year, after excluding the $2.8m of the ARR that we acquired in Q1 of last year. And as TJ mentioned, this was our twelfth straight quarter of double-digit growth in net new ARR. Lastly, as of the end of Q1, 58% of our total ARR came through the channel, compared to 55% a year ago.

Last quarter we called out our consistent success at the enterprise level, and this momentum continued in Q1. We ended the quarter with 863 customers with ARR of over $100,000, a year-over-year increase of 25%, and an acceleration from last quarter's record. And we are pleased that the growth rates for our larger customer cohorts were all higher than the 25% growth from our $100K cohort, demonstrating that we continue to meet the demands of highly complex organizations looking for single platform vendors that can address multiple strategic use cases.

Turning now to our customer retention rates. Adjusted for the impact of FX, our Q1 gross retention rate was 89%, a one-point improvement from Q4, while our Q1 net retention of 110% was in line with Q4. Similar to prior quarters, our migration products again served as a two-point headwind to GRR, given their naturally lower retention rates, and we would not be surprised to see this dynamic continue, especially given the recent elevated demand for migrations we called out last quarter. On a reported basis, Q1 GRR was 89% and NRR was 111%.

Turning back to the income statement, gross profit for Q1 was $86.1 million dollars, representing a gross margin of 73.4%, compared to 75% a year ago. The year-over-year gross margin decline is primarily the result of lower gross margins on our services revenues this year versus a year ago.

Moving down the income statement, operating expenses in Q1 totaled $65.6 million dollars, or 56% of revenues, compared to $56.5 million dollars, or 61% of revenues a year ago. As a result, Q1 non-GAAP operating income was $20.5 million dollars, representing a 17.5% operating margin as well as year-over-year expansion of 310 basis points. And importantly, our ongoing management of stock-based compensation, which was 6% of Q1 revenues, has driven an even stronger expansion of our GAAP operating margins, which were just under 11% in the quarter and expanded more than 730 basis points year-over-year. Taken together, these results demonstrate that our investment year is not a retreat from profitability, and proves that we can fund our AI roadmap while simultaneously delivering meaningful leverage across the business.

On a Rule of 40 basis, which for AvePoint is the sum of ARR growth and non-GAAP operating margin, we finished Q1 at the Rule of 43. And using the more traditional Rule of 40 components of revenue growth and free cash flow margin, we finished Q1 at the Rule of 51.

Turning to the balance sheet and cash flow statement, we ended the quarter with $444 million dollars in cash and cash equivalents. And for Q1, operating cash flow was $24.3 million dollars, or a 21% margin, while free cash flow was $23 million dollars, or a 20% margin. This compares to operating cash flow of $500 thousand dollars and free cash flow of negative $1 million dollars a year ago.

Last quarter we discussed the acceleration of our share repurchases, reflecting our belief in the underlying strength of the business and commitment to driving shareholder value. This increased pace continued in Q1, as we repurchased 5.4 million shares for approximately $60.8 million dollars. For reference, we spent approximately $50 million dollars on share repurchases in all of 2025. And through the close of trading on Friday, we have bought another 1.8 million shares for approximately $17.7 million dollars. And given the increased pace of our buying, our Board of Directors has authorized the replenishment of our existing Share Repurchase Program back to $150 million dollars.

I'd like to make two additional points on our repurchases, which remain a key pillar of our capital allocation framework. First, they have minimized the dilutive effects that we see from the issuance of shares to employees. And second, we are generating meaningful cash flow even after accounting for repurchases, as our cumulative free cash flow after share buybacks over the last three full years is approximately $78 million dollars.

Turning now to our guidance, where I want to provide some color. First, we are raising our full-year guidance for ARR, which reflects our momentum and the healthy demand we see. Second, our updated full-year guidance for revenue and non-GAAP operating income only includes the Q1 outperformance relative to guidance, as we account for the increased SaaS mix we now expect for the balance of the year and the impact it may have on reported revenues. The last point is around FX, where the global nature of our business exposes us to fluctuations in currency exchange rates, and the currency headwind we saw in Q1 from the strengthening dollar has continued in Q2. The corresponding incremental FX headwinds we expect for the rest of the year are also reflected in our updated full-year guidance, and more than offset the ARR raise and the Q1 outperformance.

We have included a slide in our investor presentation that outlines this progression from our original guidance to today's updated outlook.

As a result:

- **For the second quarter**:
    a. We expect total revenues of $120.3 million to $122.3 million dollars, or growth of 19% at the midpoint. And on a constant currency basis, we expect revenue growth of 18% at the midpoint.
    b. We expect non-GAAP operating income of $18.7 million to $19.7 million dollars.
- **For the full year:**

a. We now expect total ARR of $523.4 million to $529.4 million dollars, or growth of 26% at the midpoint. This includes a half-million dollar raise from our prior guidance, offset by an FX headwind of $2.2 million. On an FX-adjusted basis, we continue to expect total ARR growth of 26% at the midpoint.
b. We now expect total revenues of $509.4 million dollars to $515.4 million dollars, or growth of 22% at the midpoint. This includes the Q1 beat of $1.8 million dollars, offset by an FX headwind of $2.9 million dollars. On a constant currency basis, we expect revenue growth of 20% at the midpoint.
c. And lastly, we now expect full-year non-GAAP operating income of $91.5 million dollars to $94.5 million dollars, which includes the Q1 beat of $700 thousand dollars, offset by an FX headwind of $2.2 million dollars.
d. Finally, on a Rule of 40 basis, the midpoint of our updated full-year guidance is a 44.

In summary, we are proud of the team's strong start to the year. We are excited for a strong Q2 and 2026, as we are well positioned to capitalize on the enormous market opportunity we see.

Thanks for joining us today, and with that, we would be happy to take your questions. Operator?

After Q+A:

TJ:

Thank you for joining today. We are proud of our first quarter results and raised outlook for the year, which reflects the growing demand for secure, automated, and AI-ready solutions. The increasing strategic importance of our platform, and its enablement of AI-driven transformation for companies of all sizes and industries around the world, ensures a durable competitive moat for AvePoint, and only strengthens our conviction in the enormous market opportunity we see. We are excited for continued momentum in 2026 as we progress toward our $1 billion ARR target.

Thank you again for joining us today, and we look forward to speaking with you more this quarter.