

# Q1 2025 Earnings Call

## Company Participants

- Bipul Sinha, Chief Executive Officer, Chairman and Co-founder
- Kiran Choudary, Chief Financial Officer
- Melissa Franchi, Vice President, Head of Investor Relations

## Other Participants

- Andrew Nowinski, Wells Fargo
- Brad Zelnick, Deutsche Bank
- Eric Heath, KeyBanc
- Fatima Boolani, Citigroup
- Gregg Moskowitz, Mizuho Securities
- Howard Ma, Guggenheim Securities
- Imtiaz Koujalgi, Wedbush Securities
- Joel Fishbein, Truist Securities
- Kash Rangan, Goldman Sachs
- Saket Kalia, Barclays
- Todd Coupland, CIBC
- Yi Fu Lee, Cantor Fitzgerald

## Presentation

### Operator

Good day, everyone, and welcome to the Rubrik First Quarter Fiscal Year 2025 Results Conference Call. At this time, all participants are in a listen only mode. Later, there will be an opportunity for a question-and-answer session. (Operator Instructions) Please note today's call will be recorded, and I will be standing by should you need any assistance.

It is now my pleasure to turn the conference over to Melissa Franchi, VP and Head of Investor Relations. Please go ahead.

### Melissa Franchi {BIO 17497706 <GO>}

Hello, everyone. Welcome to Rubrik's first quarter fiscal year 2025 financial results conference call. On the call with me today are Bipul Sinha, CEO, Chairman and Co-Founder of Rubrik; and Kiran Chaudhary, Chief Financial Officer.

Our earnings press release was issued today after the market closed and may be downloaded from the Investor Relations page at [www.ir.rubrik.com](http://www.ir.rubrik.com). Also on this page, you'll be able to find a copy of today's prepared remarks and a slide deck with financial highlights, that along with our earnings release include the reconciliation of GAAP to non-GAAP financial results.

During this call, we will make forward-looking statements, including statements regarding our financial outlook for the second quarter and full year fiscal 2025. Our expectations regarding market trends, our market position, opportunity, including regarding generative AI and growth strategy, product initiatives and expectations regarding those initiatives and our go-to-market motions.

These statements are only predictions that are based on what we believe today and actual results may differ materially. These forward-looking statements are subject to risks and factors that could affect our performance and financial results, which we discussed in detail in our filings with SEC, including our final perspective filed with the SEC pursuant to Rule 424(b) dated April 24, 2024. Rubrik assumes no obligation to update any forward-looking statements we make on today's webinar.

With that, I'll hand the call over to Bipul.

**Bipul Sinha** {[BIO](#) [17249575](#) <GO>}

Thanks, Melissa, and thank you everyone for joining us for the first quarterly earnings call as a public company. Rubrik's first fiscal quarter of 2025 was another quarter of strong and efficient growth. We finished Q1 with subscription ARR of \$856 million, growing 46% year-over-year and average subscription dollar-based net retention rate of over 120%. We now have 1,859 customers with over \$100,000 in subscription ARR, including 114 customers with over \$1 million in subscription ARR.

I am pleased with our first quarter results, and I believe we are well-positioned to take advantage of the massive market opportunity created by explosion of data, especially by AI. I would like to thank 3,000 plus Rubrikans who worked so hard to carry out our mission of securing the world's data and are helping to pave the way for a more secure and digital future. As this is our first earnings call, I want to share with you some context on our journey.

We founded Rubrik in December 2013, and our mission is to secure the world's data. We believe that data is every organization's most valuable asset. As the world has digitized, we have seen exponential growth in data. Today, modern enterprises have massive data sprawl across multiple categories, including cloud data, enterprise data, and SaaS applications.

Additionally, generative AI breakthroughs have lowered the barrier to enterprise AI adoption, and we believe will add another layer of growth in data that needs to be secured. This data sprawl has expanded the surface area of potential attacks, and has left organizations vulnerable in the face of an exponential rise in the amount and complexity of cyber-attacks.

According to a survey by our own Rubrik Zero Labs, 94% of IT and security leaders reported a significant cyber-attack last year, and one-third of these victims endured at least one ransomware attack. The cybersecurity space has focused on cyber prevention strategies for the last 20, 30 years, which is clearly not enough, given the increasingly rampant and sophisticated attacks on the critical data. Building taller walls and wider moats cannot prevent attacks from getting to the data.

On the other hand, the legacy backup and recovery solutions have been highly ineffective for cyber recovery, because their architecture was built for operational recovery. They were not designed to enable reliable recovery from cyber-attacks. In fact, the infrastructure of legacy backup and recovery itself is vulnerable to cyber-attacks. While cyber recovery prevention strategies are important, enterprises need to assume that cyber-attacks are inevitable. We believe enterprises have to have a comprehensive cyber resilience strategy to be able to quickly recover from a cyber incident and minimize operational disruption in the midst of cyber breaches and attacks.

Rubrik was founded on a vision to deliver business resilience by securing the most critical asset of any organization, that is data. Our idea was to take the backup and recovery concept and combine it with modern cybersecurity principles into a brand new software platform to deliver

complete cyber resilience. At the outset, we built a unique Zero Trust architecture that combines data and metadata from business applications across enterprise, cloud and SaaS applications, to create self-describing data as time series.

Self-describing data includes application context, user identity, data sensitivity, and application lineage. This allows us to apply artificial intelligence and machine learning directly to the business data to understand emergent data security threats and deliver cyber resilience against cyber-attacks. In fiscal 2023, we introduced Rubrik Security Cloud, or RSC, which provides a single platform to help enterprises secure their data across enterprise, cloud and SaaS applications.

RSC combines data protection and cyber resilience into a single cloud-native SaaS platform that detects, analyzes, and remediates cyber security risks and unauthorized user activities across all enterprise data states. This platform is architected to help organizations achieve cyber resilience, which encompasses cyber posture and cyber recovery. Our platform is ultimately designed to enable organizations to confidently accelerate digital transformation and leverage the cloud to realize business agility.

Our unique and purpose-built Zero Trust Data Security approach is first of its kind and differentiates us from the alternative solutions our customers have access to. I would like to expand upon why we believe we win in the marketplace. First, our Zero Trust architecture combines backup and recovery and cyber security in a single software platform that significantly shrinks the attack surface that exists with legacy solutions.

Our Zero Trust Data Security platform assumes that IT infrastructure will be breached, and nothing can be trusted without authentication. As a result, our architecture delivers data availability that withstands adverse conditions and allows businesses to restore their data when infrastructure is attacked. We have a history of pioneering innovation, as highlighted by our recent win of two global InfoSec awards for pioneering cyber resilience and pioneering data security posture management.

Second, our cloud-native Rubrik Security Cloud offers customers a single point of control from one user interface to secure data across disparate sources, including enterprise, cloud, unstructured data, and SaaS applications. We build products on top of Rubrik Security Cloud to address a myriad of use cases that help our customers achieve cyber resilience, from hardening their data security posture to recovering from a cyber-attack. As an example, we recently announced the general availability of DSPM everywhere.

We believe this is the industry's only data security product suite that combines data security posture or DSPM with cyber recovery designed for complete cyber resilience. Our DSPM solution provides visibility into where all of an organization's data lives, who has access to the data, how is it being used, and sensitivity of the content, therefore, reducing the risk of data exposure and exfiltration. This comes on the heels of our acquisition of Laminar, the leading DSPM company focused on the cloud.

Third, we offer customers simplicity and ease of use at scale. From the beginning, we have built our platform to be easy to use from deployment to ongoing operations, even when managing complex environments at large scale. Our platform is also fully extensible with APIs that enable the integration with organizations' ecosystem of technologies and systems. This differentiated approach allows us to integrate end-to-end with an array of cyber security products, extending protection from the perimeter to the data layer. We are further enhancing our leading products by partnering with other leaders in the broader cyber security landscape.

In Q1, we announced a new strategic partnership with CrowdStrike, which unifies rich data-centric attack context from RSC with security telemetry from CrowdStrike Falcon XDR platform. With this partnership, enterprises gain context-rich insights, such as attack behavior and critical data being targeted. That drives accelerated detection, investigation, and recovery. Organizations can unify security and IT operations and focus effort on protecting critical data. We also have a strong partnership with Zscaler, who recently awarded Rubrik as its Emerging Tech Partner of the Year. Zscaler and Rubrik partnered together to help customers secure sensitive data by combining Rubrik's data-at-rest intelligence with Zscaler's data-in-motion security.

We are incredibly proud of the success we have seen to date with RSC and its adoption by leading global organizations. In Q1, we continued to see a strong new logo addition as well as expansion from existing customers. Today, we have over 1,800 customers with \$100,000 or more in subscription ARR, up from 1,300 in the year-ago period. We secure data for many large organizations across all major verticals. But I will detail two notable new land in the healthcare space. First is a new Fortune 50 health insurance provider with a multimillion-dollar ARR transaction.

After an audit found the company was unlikely to recover from a mass cyber event, its Board of Directors mandated the evaluation of alternatives to its existing legacy backup and recovery footprint. The company conducted a thorough proof of concept and selected Rubrik to address the organization's requirement to mitigate the risk and impact of a cyber-attack. So customers purchase our full cyber recovery offerings, which included RSC enterprise edition with cloud native protection for the company's critical data across its enterprise, for private cloud and public cloud environment.

Another example in the healthcare space is a large healthcare provider who replaced their legacy backups and recovery providers after a significant ransomware attack that resulted in a lengthy outage and an inability to recover critical data. After careful evaluation with Board level visibility, this organization selected RSC enterprise edition with unstructured data protection to secure workload on-premises and in the cloud. The customer selected Rubrik because of our ability to address their cyber resiliency needs for both on-premises and cloud workloads from a single pane of glass.

The company also purchased Rubrik data security posture management from our Laminar acquisition to reduce sensitive and regulated data exposure and manage exfiltration risks across their cloud workloads. We have seen meaningful multidimensional expansion within existing customer accounts. Our average subscription dollar-based net retention rate in Q1 was over 120%, as customers increase the data they secure with us, adopt new workloads and applications secured with Rubrik and upgrade their subscription to higher valued edition.

This quarter, we saw a seven-figure upgrade and expansion deal at a large agricultural organization. This organization upgraded from our foundation edition to the enterprise edition with unstructured data protection, noting Rubrik Anomaly Detection and Threat Monitoring as significant value drivers. This organization also expanded their use of Rubrik cloud native protection to secure their large cloud data footprint and to save cost relative to cloud native backup.

In addition to our continued success, we also want to highlight our future growth opportunities and areas of strategic focus. We believe there is a large and growing market opportunity for our RSC platform as more customers move their applications and data to the cloud. And as generative AI amplifies demand for securing unstructured data, we plan to continue to invest in the development of RSC and in our accompanying go-to-market motion to capitalize on this

opportunity. We have a history of innovating with disruptive technology and we intend to continue to make significant investments in research and development to further increase our product differentiation. This includes new data security functionality, the continued expansion of applications secured by Rubrik and generative AI applications that will help organizations achieve business resilience and improve productivity.

Now, let me address the area we are focused on from the go-to-market perspective. As a quick background, we sell our subscription offerings into the mid enterprise and above through our channel partners. At the high end, our field sales work with regional and global system integrators. At the lower end of our market, we use inside sales and value-added resellers. We are focused on growing our customer base. We believe any organization with any application and data of any significance is a potential Rubrik customer. As cyberattacks increase in scale and sophistication, MS-accelerated Digitization and ever-evolving data regulation, organizations are rethinking how to secure data across the entirety of their topology. We'll continue to invest in customer acquisition to meet the growing need of these organizations seeking to achieve data security.

We are also focused on expansion within our existing customer base by continuing to move customers to our more premium subscription edition and by covering additional scale and scope of data managed, particularly as cyber resilience is a growing focus in cloud and SaaS environment. We continue to refine our go-to-market to accelerate cross-sell of our newer solutions, such as DSPM, and newer application footprint in SaaS and in the cloud. Lastly, we believe we have a substantial international opportunity as international organizations struggle with the same data protection and security challenges that we are currently solving for our U.S. customers. We plan to continue to expand our global footprint into existing and new international markets. We generated approximately 32% of our total revenue in fiscal 2024 from customers outside of the U.S., which highlights the room for growth.

In closing, I would like to thank all Rubrikans, our customers, partners, and investors for their support and dedication in helping us achieve the important milestone of becoming a public company and being partners on our journey ahead. We are proud of our mission of securing critical business data, enabling enterprises to remain resilient in the face of cyber-attacks and helping them accelerate their digital transformation. Our Zero Trust architecture is unique and positions us as a differentiated leader in a large market in transition and filled with legacy incumbents. Our strong Q1 results highlight this exciting market opportunity. Our multiple drivers of growth and our strong go-to-market execution, key components to building an enduring company. We are on a mission to secure the world's data and we are just getting started.

With that, I will now turn the call over to Kiran to review our financials. Kiran?

### **Kiran Choudary** {BIO 22152013 <GO>}

Thank you, Bipul, and good afternoon, everyone. I'm pleased to report that we delivered a strong start to fiscal 2025 with strength across all our key operating metrics, including subscription ARR, subscription contribution margin, and free cash flow. Rubrik was started 10 years ago with a vision of data security and cyber resilience, and our recent performance highlights the momentum around this market transformation.

Before we go through our financial performance for the first quarter, I'd like to give you a brief overview of our business model to contextualize our results. Unless otherwise noted, growth rate comparisons are on a year-over-year basis. We launched our first commercial product, Converged Data Management, in fiscal 2016. This platform combined data and metadata into a single layer of software to provide zero trust data protection. This was our original data

protection platform that secured enterprise applications and was sold under a perpetual license with associated maintenance contracts.

By fiscal 2020, we had expanded the use cases of our platform to secure cloud-native applications in addition to enterprise applications. We rebranded Converged Data Management to Cloud Data Management or CDM, and introduced our first subscription term-based licenses. By this time, we had also launched our first SaaS data security products, which was built on top of our cloud data management platform. This includes ransomware monitoring and investigation, which is known as Anomaly Detection, and Sensitive Data Monitoring and management, which is now known as Sensitive Data Monitoring. We sold these solutions on a standalone basis.

In fiscal 2023, to meet customer demands for data security and a single unified cloud-based control plane, we launched Rubrik Security Cloud or RSC, after five years of R&D. RSC provides one point of control to secure data regardless of where it lives across enterprise cloud and SaaS applications, and this enables seamless adoption of RSC by our customers. In addition, as part of our cloud transformation, we began transitioning the sale of Rubrik-branded appliances, which our customers use to secure enterprise data from us to our partners.

Today, we primarily sell RSC subscriptions. We currently go-to-market with RSC in the form of subscription additions, foundation, business, and enterprise. We also recently announced the Enterprise Proactive Edition, which includes DSPM everywhere. These additions all offer data protection for the data types our platform can secure and there are data security products that are included in each subscription tier. We price our additions primarily based on data volume secured and data security capabilities.

Our key top line metric is subscription ARR, which we believe best illustrates our success in acquiring new customers and maintaining and expanding our relationships with existing customers. Our cloud ARR includes RSC as well as our mostly previously sold standalone SaaS-based data protection and data security products. We ended the first quarter with subscription ARR of \$856 million, up 46%. Net new subscription ARR was \$72 million, up 32%, a record high over the last year.

These strong results were driven by the combination of solid new logo lands, ongoing customer expansions, large transactions, and strong linearity. We also had notable strength in large transactions in the quarter, as highlighted by some of our earlier customer stories. We now have 114 customers with over \$1 million in subscription ARR, up from 99 last quarter and 71 in the year-ago period.

Of the 46% subscription ARR growth in Q1, we believe approximately 3 percentage points are a result of transitioning our existing maintenance customers to Rubrik Security Cloud. This compares to 4 percentage points of benefit last quarter and 13 percentage points in the year-ago period. We expect this benefit will continue to moderate over the next few quarters. We continue to drive sales of our SaaS solutions, as evidenced by our Cloud ARR of \$606 million in Q1, up 104%. We have a compelling land and expand model that allows for a significant expansion opportunity after initial contract.

The three main vectors that drive expansion with our customers, are one, the growth of data from applications already secured by Rubrik; two, additional applications secured on our platform; and three, adoption of additional data security products. Our four-quarter average subscription dollar-based net retention rate was over 120% in Q1, and we saw a 41% increase in customers with subscription ARR of \$100,000 or more to 1,859. We have rapidly progressed through our cloud transformation. Our subscription revenue was \$172 million, representing 92% of total

revenue. Subscription revenue growth was 59%, as headwinds to our revenue growth from more ratable revenue are moderating. Total revenue was \$187 million, up 38%.

Before turning to gross margins, expenses, and profitability, I would like to note that I will be discussing non-GAAP results going forward unless otherwise noted. As a reminder, our GAAP financial results, along with the reconciliation between GAAP and non-GAAP results, can be found in our earnings press release and supplemental financials. We are focused on delivering strong gross margins, improving our subscription ARR contribution margin, and growing free cash flow. Our non-GAAP gross margin was 75% in Q1, compared to 74% in the year-ago period, driven by a change in product mix, including the transition of the sale of Rubrik-branded appliances from us to our partners and the improved efficiency of our customer support organization. This was partially offset by higher cloud hosting costs due to the development in and growth of our SaaS solutions, which we expect to continue to scale in the future.

We look at subscription ARR contribution margin as a key measure of profitability. This is calculated as subscription ARR less non-GAAP cost of subscription revenue and less non-GAAP operating expense, and then divided by subscription ARR. We find this to be a more relevant metric to demonstrate improvement in operating leverage than operating margins or free cash flow because it removes the impact from our cloud transformation as well as changing billings and payment terms.

We believe the improvement in our subscription ARR contribution margin demonstrates our ability to drive operating leverage at scale. Subscription ARR contribution margin was negative 11% in Q1, compared to negative 32% in the year-ago period, as we saw strong subscription ARR growth and efficiency gains across the business. Operating expenses this quarter also included \$23 million in employer payroll taxes associated with our IPO. Adjusting for this one-time expense in Q1, our subscription ARR contribution margin would have been negative 8%.

Free cash flow is negative \$37 million, compared to negative \$23 million in the year-ago period. This quarter included a cash outlay of \$21 million for the aforementioned employer payroll taxes associated with our IPO. Adjusting for employer payroll taxes, the improvement in free cash flow is higher due to higher sales and favorable timing of some customer payments.

Turning to our balance sheet, we completed our IPO in April, which resulted in proceeds of \$710 million net of underwriting discounts and commissions. We ended Q1 in a strong cash position with \$606 million in cash, cash equivalents, and short-term investments, and \$297 million in debt.

Before I walk you through our outlook for Q2 and the full fiscal year 2025, I would like to provide some context around our guidance. We continue to see strong secular demand for our solutions. As Rubrik becomes a more strategic investment for large enterprises, we are increasing exposure to large transactions, the exact timing of which can vary between quarters. We had an exceptionally strong ARR performance in the first quarter, in part driven by some large transactions. Our guidance takes a prudent approach as it's early in the year and we still face an uneven macro environment.

That being said, we have a robust pipeline and we remain confident about the demand for our differentiated offerings in the powerful secular trends fueling our growth. In addition, we'll continue to progress through our cloud transformation, and cloud ARR will continue to grow faster than subscription ARR. We expect the benefit to subscription ARR growth from existing maintenance contracts to subscription to continue to taper down to low single digits through fiscal 2025.

The headwinds to revenue growth from increasing ratable revenue and transition away from commodity Rubrik-branded appliances will continue to moderate in fiscal 2025. Revenue and revenue growth can fluctuate due to a number of variables, including the pace at which we add new RSC customers and the pace at which we continue to migrate our existing customers to RSC. As an example, if we generate more cloud ARR related to non-cloud ARR than we expected, or if fewer existing customers than we expected need transition licenses because they're fully migrated to RSC, we will have lower revenue in the near term because of the ratable nature of cloud revenue recognition.

Because of these dynamics, we point to subscription ARR as our key top line metric. In terms of operating investments, we'll continue to invest in go-to-market and R&D to drive innovation in the large and growing market we operate in. We assume billing duration and payment terms continue to contract modestly through fiscal year 2025, which will be headwinds to free cash flow. Hence, we point to subscription ARR contribution margins to measure operating leverage.

Now, turning to guidance for the second quarter fiscal 2025. For the second quarter of fiscal 2025, we expect total revenue in the range of \$195 million to \$197 million, implying 29% to 30% growth as the cloud transformation headwinds continue to moderate. We expect non-GAAP subscription ARR contribution margins between negative 13.5% to negative 12.5%. We expect non-GAAP EPS of negative \$0.50 to negative \$0.48 based on approximately \$179 million weighted average shares outstanding in the second quarter.

For the full year of fiscal 2025, we expect subscription ARR in the range of \$983 million to \$997 million, reflecting a year-over-year growth rate of 25% to 27%. To help with modeling seasonality for the year, we expect the net new ARR in the first and second half of the year to be roughly equal. We expect total revenue for the full year fiscal 2025 in the range of \$810 million to \$824 million, implying 29% to 31% growth. We expect non-GAAP subscription ARR contribution margins between negative 12.5% and negative 11.5%.

We plan to continue to invest in this enormous opportunity ahead of us while delivering efficient growth at scale. We expect non-GAAP EPS of negative \$2.35 to negative \$2.25 based on approximately 154 million weighted average shares outstanding for the full year. We expect free cash flow of negative \$115 million to negative \$95 million or negative \$92 million to negative \$72 million without the one-time payroll taxes related to the vesting of equity awards in connection with our IPO.

In closing, we are proud of our performance this past quarter and look forward to continuing the momentum into year-end and beyond.

With that, we'd like to open up the call for any questions.

## Questions And Answers

### Operator

(Question And Answer)

(Operator Instructions) We'll move first to Kash Rangan with Goldman Sachs. Your line is open.

### Q - Kash Rangan {BIO 22095432 <GO>}

Hi. Thank you very much. Bipul and team, congratulations on your IPO and the first quarter as a public company. Bipul, if you could talk about the month of April and also the month of May, the last month of the quarter and the first month starting of the quarter. Did you notice any changes



in business conditions? And one for you, Kiran, to just keep it short and sweet. What are the fundamental drivers of free cash flow conversion from revenue, be it unit economics, cost to acquire, lifetime value of the customer? How should we think about Rubrik's position to be able to generate free cash flows in the future? Thank you so much.

**A - Bipul Sinha** {[BIO 17249575](#) <GO>}

Thanks, Kash. Appreciate it. In the month of April, we did not see any significant change in the customer buying behavior. Having said that, macro environment remains uneven, and as a newly public company, we are prudent in our approach. But in the month of April, we didn't see any significant change.

**A - Kiran Choudary** {[BIO 22152013](#) <GO>}

Hi, Kash. I'll just add here on your question on free cash flow. So as you know, we collect cash upfront in our transactions, so we benefit from that. But fundamentally, free cash flow leverage is driven by operating leverage. And for us, operating leverage, the best metric right now through our cloud transformation is the sub ARR contribution margin, which we have improved over the past few years. So that will be a key driver. And obviously, the collections dynamic, which we are increasingly collecting more annual payments, but multiyear payments are still the majority. Those are the two drivers for free cash flow.

**Q - Kash Rangan** {[BIO 22095432](#) <GO>}

And just on the subscription gross margin, what are the drivers? Is it scale or cost of acquisition, improved retention, improved upsell? What cost is the number two to -- yes.

**A - Kiran Choudary** {[BIO 22152013](#) <GO>}

Yeah. So subscription ARR contribution margin, the two drivers are obviously gross margin and operating leverage. So gross margin, we have seen leverage over the last few years with the exit of the hardware business, and we are in a long-term range of 75% to 80%. And then when you look at the operating expense line items, starting with R&D, we are hiring globally now, and at scale, we are getting more leverage with the balance of great talent as well.

And in sales and marketing, with the growth of renewals in our business, it's still not the majority as well as increasing scale on our newer investments, international, federal as well, we'll see increasing leverage on the sales and marketing line. And lastly, on G&A, we did step up G&A costs as a public company, but you'll see benefits of scale as well there.

**Q - Kash Rangan** {[BIO 22095432](#) <GO>}

Awesome. Thank you so much.

**A - Melissa Franchi** {[BIO 17497706](#) <GO>}

Thank you, Kash.

**Operator**

We'll move next to Saket Kalia with Barclays. Your line is open.

**Q - Saket Kalia** {[BIO 16417197](#) <GO>}

Okay, great. Hey guys, thanks for taking my questions here, and I echo my congrats on your first quarter as a public company. Bipul, maybe just to start with you, a lot of great customer examples in your prepared remarks. Can you just talk about the growing security tools that Rubrik is adding on top of secure backup? I think more of your customers are opting for higher end bundles, which of course, include more security. Talk to us a little bit about how they're using those tools and what you're hearing from those customers that are increasingly using the security components.

**A - Bipul Sinha {BIO 17249575 <GO>}**

Thanks, Saket. So as you reckon, Rubrik has built a comprehensive cyber resilience platform that combines data security posture management as well as cyber recovery in a single zero trust architecture to deliver true cyber recovery and cyber resilience. Our core assumption is that enterprises will get breached and we cannot stop the unstoppable. So how do enterprises prepare themselves for inevitable cyber-attack and to deliver quick recovery so that their services are back up and running and they can continue their business.

So we have built a set of capabilities on top of our platform from Anomaly Detection, which actually tells you the point of infection and the scope of an attack, to threat hunting and monitoring to be able to detect malware in your data stream so that you are delivering clean recoveries, to be able to sensitive data classification, to understand exfiltration risk, to understand what has been exfiltrated and understand double extortion ransomware risk. We have the user access intelligence to understand the surface area of attack.

So we have built a comprehensive data security solution suite on top of our Rubrik Security Cloud platform to really deliver end-to-end comprehensive cyber resilience and cyber recovery.

**Q - Saket Kalia {BIO 16417197 <GO>}**

Got it. If I could sneak in a follow-up. Kiran, maybe for you for the follow-up. It was a great beat on ARR this quarter. I saw that we flowed through some of the upside, but not all of it. Just to make sure the question is asked, are there any timing elements that we should consider for ARR this year, given the beat and given the adjustment to guide? To your point, still very early in the year, but want to make sure the question is asked.

**A - Kiran Choudary {BIO 22152013 <GO>}**

Sure, Saket. So obviously, we got off to a very strong start to the year. It was an exceptional quarter, but we benefited from some large transactions. And still early in the year, we are a recently public company and the environment going ahead could be uncertain in the election year. So we ought to be prudent with our guidance and feel really good about the numbers we're putting forward in terms of guidance, which we're very confident in terms of the outlook.

**Q - Saket Kalia {BIO 16417197 <GO>}**

Thanks very much for the time, guys. Congrats again.

**Operator**

We'll move next to Fatima Boolani with Citi. Your line is open.

**Q - Fatima Boolani {BIO 22760349 <GO>}**

Hi, thank you for taking my questions. Bipul, I wanted to unpack some of the broad-based strengths in business activity, and specifically wanted to hear some of your comments on what

type of procurement and buying behavior you're seeing from midsize enterprises versus larger enterprises? And the spirit of the question really here is, it is an uneven macro, and a lot of your peers in the software complex have just experienced a lot of volatility, certainly with some of the smaller customers, and just deal cycle elongation on the larger side. So I'm curious how you've sort of been able to buck the trend in executing well across both those vectors. Thanks very much.

**A - Bipul Sinha {[BIO 17249575 <GO>](#)}**

Thanks, Fatima. If you look at Rubrik's offering, we are delivering cyber recovery, cyber resilience solution to ensure that enterprises can recover from ransomware attack and other kinds of cyber-attacks, which are inevitable. So we are at the top of the heap when it comes to investing in cybersecurity, particularly around ransomware incident. And we have a very unique and differentiated platform. So we are not seeing any significant impact in the demand. And what we are also seeing is the customer's sense of urgency in having these solutions. So -- and also, if you look at the broader landscape, there has been a lot of investment in cyber-prevention solutions around network, endpoint, perimeter, cloud, but the cyber-recovery is a little bit of an afterthought.

And now folks are realizing that recovery has been under-invested, and to ensure continuing operation, they need to have solid cyber resilience, cyber recovery because attacks are, again, inevitable. So we are seeing significant strength in terms of the demand. Obviously, procurement dynamics, given the macro, is -- sometimes can be a little cumbersome because there's more deal scrutiny in terms of more people involved in getting deals, but we are not seeing any significant change in the demand landscape.

**Q - Fatima Boolani {[BIO 22760349 <GO>](#)}**

Thank you, Bipul.

**Operator**

We'll move next to Andrew Nowinski with Wells Fargo. Your line is open.

**Q - Andrew Nowinski {[BIO 15334403 <GO>](#)}**

Okay, good afternoon, and congrats on a nice quarter as well. I want to ask a question on the security side, and specifically Laminar. I think most people understand your security capabilities and why other vendors can't provide those capabilities applied to the business data, but where there might be some overlap is on the DSPM side. So I was wondering if you could explain why Laminar is different from the other DSPM offerings in the market from CrowdStrike and Palo Alto and others. And then what you're seeing from a pipeline perspective as it relates to that new high-end bundle that you introduced and includes Laminar? Thanks.

**A - Bipul Sinha {[BIO 17249575 <GO>](#)}**

Thank you, Andrew. So if you look at Rubrik's core focus, we are focused on cyber resilience, which requires both cyber data security posture plus cyber recovery, because if you want to assume breach posture, then you need to understand what assets do we have, what is the sensitivity of those assets that is data, who has access to the data, and who is doing what to the data, and if something happens to your data, how do you deliver cyber recovery? So we are bringing this data security posture management and cyber recovery to deliver complete cyber

resilience, and it is a differentiated technology. And if you look at the traditional cyber security vendors, they have no ability to do cyber recovery.

So they are using the DSPM technology as a way to prioritize different threats on the infrastructure, whereas we are focused on cyber recovery, cyber resilience, and that's where we are differentiated. We are seeing strong demand for DSPM, we had a very strong quarter for DSPM, and we are continuing to see great interest in the data security posture management space. As you mentioned, we recently, like, this quarter, announced Enterprise Proactive Edition. It is a new offering in the marketplace, and it is early in terms of its customer engagement and discussions, but we are seeing, again, a strong demand on the DSPM space.

**Q - Andrew Nowinski** {[BIO 15334403](#) <GO>}

Thank you.

**Operator**

And we'll take our next question from John DiFucci with Guggenheim Securities. Your line is open.

**Q - Howard Ma** {[BIO 23790238](#) <GO>}

Thank you. This is Howard Ma on for John DiFucci. We want to add our congratulations on the strong performance in what is still a challenging selling environment. So for either Bipul or Kiran, when we think about the balance of the year, how would you rank order your growth catalyst across, call it, data security driven demand, vendor consolidation on the data protection side? And I realize the two may be hard to separate. And also, AI driven data growth and the need to secure incremental GenAI workloads. And do you think these catalysts are enough to offset the macro unevenness to use? Bipul, your words. Thank you.

**A - Bipul Sinha** {[BIO 17249575](#) <GO>}

Thank you, Howard. Let me give you a little bit of a business perspective and Kiran can add a little bit of color. So if you look at the cyber resiliency space, again, it is rising up to be a top cyber security category. In fact, one of our financial services, large financial services customers actually told me that the Rubrik allowed them to have a record time cyber recovery audit, because it is so important in financial services to have services up and running in spite of a cyber-attack. If you look at the demand in terms of CISO's focus on cyber resilience, very large global bank CISO told me that cyber resilience is now the core focus because the business service up and running is very, very critical. So we believe that we have a strong demand -- a strong market with high demand. Obviously, no company is immune to macro, but we feel very confident about our outlook.

**A - Kiran Choudary** {[BIO 22152013](#) <GO>}

Howard, I'll just add a little bit here from a model driver perspective. We try to maintain a balance between new and expansion. We are still very early in the large market, 6,000 plus customers and market resizes 60,000 plus. So we try to balance between both the contribution of new and the expansion represented by the NRR. And also, I'll add that we have multiple drivers for expansion. The data within the app could grow, we add more apps to secure, and then the security capabilities. And what we have seen most recently, 60% of our NRR comes from the data growth and then the rest from security capabilities. But one other driver I'd wrap up here is large deals influence the numbers in a quarter and the timing of those can vary between quarter-to-quarter. So I'll just say that that's the other driver.

**Q - Howard Ma {BIO 23790238 <GO>}**

Great. Thanks so much.

**Operator**

We'll move next to Gregg Moskowitz with Mizuho. Your line is open.

**Q - Gregg Moskowitz {BIO 5721834 <GO>}**

Hey, thank you very much, and I'll add my congratulations. Obviously, these are a strong set of results, but what I'm maybe most impressed by is that your net new subscription ARR actually grew over 20% sequentially. And this is compared to your seasonally strongest quarter. I know that you benefited from larger transactions, you called that out a couple of times. Possibly, you can provide a little bit more context around that. But even so, just wondering if there's anything else that you would expand on in terms of how you saw so much strength in a fiscal Q1, and again, in the current macro environment, the less.

**A - Bipul Sinha {BIO 17249575 <GO>}**

Thanks, Greg. We are proud of our execution this past quarter, and obviously, 46% growth to \$856 million in ARR are the strong results. We are experiencing a very secular demand in the marketplace. The cyber resilience thesis and cyber resilience focus continues to be strong, because again, as I said before, there has been a lot of investment in the cyber prevention, not enough focus on cyber resilience. And we have a differentiated technology. We built our technology platform 10 years ago as a differentiated platform that combines data security posture management and cyber recovery in a zero trust architecture that natively delivers cyber resilience.

And this is a large brownfield opportunity, because again, the legacy platforms have no cyber resilience capability. If you look at our win rate, we are winning vast majority of these against legacy as well as vendor in our space. And if you look at the customers and their focus, they are focused on ensuring that their businesses are up and running. I'll give you an example. We released our Ruby products to help productivity of IT and security operations team. Fortune 500 insurance company told me that they are using Ruby to do threat hunting and monitoring and delivering productivity enhancement through cybersecurity workflows.

So the focus on cybersecurity, focus on cyber resiliency, delivering the ease of use on a differentiated platform on a secular demand in a large market are all contributing to our success.

**A - Kiran Choudary {BIO 22152013 <GO>}**

Hi, Greg. This is Kiran. I'll just add a little bit more color on the net new ARR for the quarter. We got off to a strong start. And as you know, a strong start from linearity perspective helps us drive the NRR throughout the quarter or net new ARR. And then the second aspect which we shared earlier is we did have favorable benefit from large transactions and the timing of which can vary quarter to quarter. So it's favorable this quarter.

Just to give you one data point, we had two times more ARR from million-dollar plus transactions this quarter, Q1 versus Q1 of fiscal '24. And then we had a special example of a very large healthcare insurance customer who standardized on our cyber resiliency platform as well. So a couple of things to add.

**Q - Gregg Moskowitz {BIO 5721834 <GO>}**

Super helpful guys. One quick follow up, if I may. It doesn't get mentioned often, but Bipul, I was curious if cyber insurance is playing a role as well when it comes to how customers are approaching data security.

**A - Bipul Sinha {BIO 17249575 <GO>}**

Cyber insurance definitely has an impact, because if you look at the landscape of cyber insurance, many companies have seen their cyber insurance premium go up, other companies are not getting cyber insurance altogether, because for a cyber insurance underwriter, every company says that they have the best technology, best team and best practices. So how do they differentiate? And that's where a strong cyber resilience platform that allows businesses to be up and running, even in spite of a cyber-attack or breaches is important. And just to point out, in fact, Rubrik has announced a partnership with Aon for joint go-to-market because their customer base has the same cyber resiliency issue.

**Q - Gregg Moskowitz {BIO 5721834 <GO>}**

Perfect. Thank you.

**Operator**

We'll move next to Joel Fishbein with Truist Securities. Your line is open.

**Q - Joel Fishbein {BIO 4369009 <GO>}**

Congrats on the excellent execution. I have two follow-up questions to the last questions, Gregg's question. Number one, Bipul, can you just talk a little bit more about Ruby AI? You talked about the one customer, but overall demand for Ruby AI. I'm just curious, I know it's early days, but would love to get clarification there. And Kiran, for you, just in terms of large deal, can you just remind us of what the large deal pipeline looks like going forward? That would be helpful. Thank you so much.

**A - Bipul Sinha {BIO 17249575 <GO>}**

Let me first answer the Rubrik question, and then Kiran can provide some color on the other question. So as you might recall, Ruby is the GenAI agent for Rubrik Security Cloud. And it is focused on productivity for IT and security operations team. As you know, cyber resilience operations is largely falling into the -- on the IT department, and they have not a whole lot of training and focus on cyber or cyber resilience or cyber recovery. And they have been asked to do the cyber recovery work. So we built Ruby to help them do the cyber work without being an expert in cyber. In fact, our design goal is that if you can use Facebook, you should be able to do cyber recovery.

So that's what Ruby is focused on. It's a multiyear project for us. We are adding a lot of skill sets to Ruby AI to ensure that all the activities that somebody could perform on Rubrik Security Cloud can be done in natural language with ease of use and hand holding to be able to complete the task. It is as if we are shipping a person along with our product who handholds our customers to a tremendous outcome. So it's a long-term project for us, it is definitely seeing a usage in our customer base and we believe that it will be a driver for more usage and adoption of our enterprise edition.

**A - Kiran Choudary** {[BIO 22152013 <GO>](#)}

And just -- Joel, just on the second part of your question, as Bipul shared, we have multiple drivers on the basis of which we are becoming more strategic with the very large customers. And it's a combination of both land and expand in terms of the size of the transactions occurring. The ASPs are increasing quarter by quarter, and also a result of moving into more larger transactions is we added 15 customers to our \$1 million plus count this quarter, from 99 to 114 this quarter. But I will say that it varies from planning-to-planning [ph], quarter-to-quarter on these large transactions, but the contribution of large transactions to our pipeline is increasing.

**Q - Joel Fishbein** {[BIO 4369009 <GO>](#)}

Great. Thank you so much.

**Operator**

We'll move next to Brad Zelnick with Deutsche Bank. Your line is open.

**Q - Brad Zelnick** {[BIO 16211883 <GO>](#)}

Great. Thanks so much, and congrats, guys, on a really strong entree, strong first quarter out of the gate. My question for you, Bipul, is forward last week, you talked about adding capabilities to the product that help better prioritize operational recovery of the most important data first to further enhance RTO for customers. And we often hear a lot about Rubrik's strength on the security side of data resiliency, but maybe could you touch on speed of recovery and how important a factor that is for customers evaluating the product and how Rubrik stacks up against the competition? Thanks.

**A - Bipul Sinha** {[BIO 17249575 <GO>](#)}

Thank you, Brad. If you look at the Rubrik's core strength is in cyber resilience and cyber recovery, because backup is like an old 30-year-old technology, but recovery, particularly cyber recovery, is where Rubrik shines, because to be able to deliver cyber recovery, folks need to understand what is the clean data, because if you have thousands and thousands of applications, if you have been attacked, how do you know which is a clean state of the data? How far attack has gone? Do you have sensitive data that is in the scope of the attack so that you have dark wave issue or data exfiltration issue? Do you have malware sitting in the data, because if you recover malware, you get reinfected and you have Groundhog Day.

So delivering cyber recovery requires, like, fundamentally new architecture, and that's what Rubrik did. We built a new software by combining backup and recovery and cyber security principles into a single platform to natively deliver data security patch management as well as cyber recovery in a single platform, and that's what makes the difference for our customers. We are -- again, this is a mission-critical thing for our customers, we are helping our customers recover from cyber-attacks such as ransomware, and they are sleeping easy because they have Rubrik.

**Q - Brad Zelnick** {[BIO 16211883 <GO>](#)}

Excellent. Thank you.

**Operator**

We'll move next to Eric Heath with KeyBanc. Your line is open.



**Q - Eric Heath {BIO 19770692 <GO>}**

Great. Thanks for taking the question. I guess, Bipul, I'd love to hear more your perspective on what you see from customers as they move their core workloads and their IT estate to the cloud. Just curious to hear more on how their spend and coverage of their environment change when they do make that move to the cloud and other applications and infrastructure.

**A - Bipul Sinha {BIO 17249575 <GO>}**

Thank you, Eric. So Rubrik took the approach from day one while building the cloud native, the Rubrik Security Cloud, is that our technology and our solution is data location independent, and we sell transportable license. So essentially, it doesn't matter whether the businesses run their applications on-premises, run their applications in the cloud, or use SaaS, we have a uniform solution, uniform way to consume Rubrik, and that's what we operate on.

So as we see more movement towards cloud and SaaS, it is leading to more data fragmentation and application fragmentation. When you have more application and data fragmentation, which means that your most -- bigger surface area of attack, which means that businesses need more data security, more ability to deliver cyber resilience, more ability to get bounced back up and running when the inevitable cyber-attack happens. So we believe that we'll continue to see secular demand for our product as businesses continue their digital transformation and cloud journey.

**Operator**

We'll move next to Yi Fu Lee with Cantor Fitzgerald. Your line is open.

**Q - Yi Fu Lee {BIO 22688682 <GO>}**

Congrats on your inaugural earning in IPO. Thank you for taking my question. So question for Bipul or Kiran. It's related to the public sector vertical. I understand Rubrik's achieved a StateRAMP certification, SLED certification earlier this year. Was wondering if you could give me some feedbacks on Rubrik Security Cloud government threat hunting module as well as other public sector vertical.

**A - Bipul Sinha {BIO 17249575 <GO>}**

Thank you, Yi Fu. So let me start with this. So as you stated, we got FedRAMP -- sorry, a StateRAMP certification. And our SLED business, which is a state and local business continue to be strong. We're still going through the FedRAMP certification process. And we believe that, that would be an unlock for us in the federal market. As you can imagine, the federal government data is critical and they have a huge risk from national and state actors and cybersecurity in general. So we believe that the cyber recovery, cyber resilience focus that Rubrik has will find high resonance with federal customers. We are awaiting the FedRAMP before we kind of scale up the business.

**Q - Yi Fu Lee {BIO 22688682 <GO>}**

Thank you.

**Operator**

We'll move next to Todd Coupland with CIBC. Your line is open.



**Q - Todd Coupland** {BIO 1556221 <GO>}

Good afternoon. Thanks for taking my question. I wanted to ask about market share as well. You're clearly growing faster than market and faster than public legacy peers. Can you just talk about where most of your market share has been coming, I guess, in this last quarter and over the last couple of quarters? Thank you.

**A - Bipul Sinha** {BIO 17249575 <GO>}

Thank you, Todd. Rubrik is an equal opportunity share taker. As you can imagine, we don't differentiate between legacy competition or newer vendor in our space. Because of our differentiated solution, because of our unique platform with architectural difference, there is a significant opportunity for us in the marketplace, because what we do is pretty unique and our customers have gone through this year's ransomware and other cyber-attacks and we have recovered them. So it's a market-proven solution and we are helping our customers, again, have peace of mind. So our win rate against our legacy as well as newer vendor competition is very, very high. We are winning vast majority of the deals against them.

**Q - Todd Coupland** {BIO 1556221 <GO>}

And as the consolidation amongst one of your main competitors, does that change your win rate at all? Is that an opportunity for you? Just talk about that. Thanks a lot.

**A - Bipul Sinha** {BIO 17249575 <GO>}

Obviously, the merger, the news, I wish both parties on the merger luck. But if the history is any benchmark, there has not been a lot of success by merging a growth company with a legacy platform to create a new company. And I like our chances. If you look at our product offering, our momentum in the marketplace, our differentiated solution and the way we are delivering cyber resilience is actually we are seeing interest and demand from legacy vendor because they feel like that their roadmap is in danger, there's a general confusion around the mergers. Overall, we believe that's the positive news for us.

**Q - Todd Coupland** {BIO 1556221 <GO>}

Thank you very much.

**Operator**

And we'll take our last question from Taz Koujalgi with Wedbush Securities. Your line is open.

**Q - Imtiaz Koujalgi** {BIO 20143417 <GO>}

Hey, guys. Thanks for taking my question. Two questions, first one for Bipul. Bipul, can you talk about your partner ecosystem and specifically the partnership with Kyndryl? What does that bring to the table? Is that focused on large customers, mid-market? And how does that change your competitive positioning? Is that really unique in terms of offering this managed service through Kyndryl or are there other companies, your other competitors who are doing, who are offering something similar as a managed service?

**A - Bipul Sinha** {BIO 17249575 <GO>}

Thank you, Taz. If you look at our Kyndryl partnership, this partnership is focused on helping our customers get cyber resilient. And Kyndryl has a very significant cyber resiliency practice and they

go to market with Rubrik for cyber resiliency. This Kyndryl obviously, has a lot of focus into the upper end of the market and we are helping large organizations around the world get cyber resilient, deliver managed service to Kyndryl. We have a great partnership with them.

**Q - Imtiaz Koujalgi** {[BIO 20143417 <GO>](#)}

Got it. And one follow-up for Kiran. Kiran, very strong results in the quarter, strong NRR. If you can just comment on within the new ARR in this quarter, how is the mix between, I guess, new logos and upsell. And then, going forward in terms of the guide, like what is implied for NRR in the guide? How do you expect the NRR to trend going forward for the rest of the year?

**A - Kiran Choudary** {[BIO 22152013 <GO>](#)}

Hi, Taz. Sure. So let me start out with just broadly stating that our model supports a high NRR, just given the breadth of offering and the customer value we bring. Historically, it's benefited from the maintenance to subscription transformation, just like ARR benefited as well, but it lags a little bit. But if you look at it over time, you'll see a gradual decline there without the impact of the transition. The large lands we make also impact ARR. And over time, as the business scales, the NRR will naturally come down.

But we generally target a set of earlier question, roughly equal from the land part of the business, which is new customers as well as expansion on a multi-quarter basis. The last thing I'll say is just if you look at the components of NRR, the data growth component, which is bringing new products under the Rubrik umbrella for security as well as the security capabilities, the applications we sell on top of the data platform, it's about 60/40; 60% data growth and 40% security capabilities.

**Q - Imtiaz Koujalgi** {[BIO 20143417 <GO>](#)}

Thank you.

**Operator**

I would now like to turn it back to Bipul Sinha, CEO, for any closing remarks.

**A - Bipul Sinha** {[BIO 17249575 <GO>](#)}

First of all, I want to thank everybody on this call as well as our investors around the world for their support and sponsorship of Rubrik. Us becoming a public company completes the first chapter of Rubrik, and now we are in the second chapter of the company and the second decade of Rubrik and we are looking forward to partnering with all of you, everybody in the ecosystem to build an enduring business. We are dedicated to it. Thank you so much for your support and we hope to generate good returns for all of you guys.

**Operator**

This does conclude today's program. Thank you for your participation. You may disconnect at any time and have a wonderful evening.

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