



Operator

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Hello, everyone. Thank you for joining us, and welcome to the Rubrik second quarter fiscal year 2027 results conference call. After today's prepared remarks, we will host a Q&A session. If you would like to ask a question, please press star one to raise your hand. To withdraw your question, press star one again. I will now hand the conference over to Melissa Franchi, Vice President of Investor Relations. Please go ahead.



Melissa Franchi VP of Investor Relations, Rubrik

26s

Hello, everyone. Welcome to Rubrik's second quarter fiscal year 2027 financial results conference call. On the call with me today are Bipul Sinha, CEO, Chairman, and Co-Founder of Rubrik, and Kiran Choudary, 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. Also on this page, you'll be able to find a slide deck with financial highlights that, along with our earnings release, includes a reconciliation of GAAP to non-GAAP financial results. These measures should not be considered in isolation from or as a substitute for financial information prepared in accordance with GAAP.



Melissa Franchi VP of Investor Relations, Rubrik

1m 11s

During this call, we will make forward-looking statements, including statements regarding our financial outlook for the third quarter and full fiscal year 2027, our expectations regarding market trends, our market position, opportunities, including with respect to generative and agentic AI, 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 other factors that could affect our performance and financial results, which we discuss in detail with our filings with the SEC. Rubrik assumes no obligation to update any forward-looking statements that we may make on today's call. With that, I'll hand the call over to Bipul.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

2m 4s

Thank you, Melissa, and thank you all for joining us today. I'm pleased to report that our second quarter results were truly outstanding. Once again, we exceeded all guided metrics across top line and profitability. This is not the first time. In fact, it is our 10th consecutive quarter of outperformance as a public company. This quarter, we accelerated. Let me repeat, accelerated net new subscription ARR growth. This is a testament to the strength of our platform and the continued durability of demand for Rubrik's agentic cyber resilience. Here are the key numbers. First, subscription ARR reached \$1.66 billion, growing 33% year-over-year. Second, net new subscription ARR reached approximately \$96 million in the second quarter. Third, our subscription revenue was \$407 million, growing 37% year-over-year. Fourth, our subscription NRR remained strong at over 119%. I'm not done yet.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

3m 26s

Here are two more key numbers. Customers with \$100,000 or more in subscription ARR reached 3,084, growing 23% year-over-year. Finally, on profitability, we once again made material improvement in subscription ARR contribution margin, up about 460 basis points year-over-year. We generated \$66 million in free cash flow this quarter. Very few companies at Rubrik's scale can drive this level of growth, plus expanding margins and a strong free cash flow generation. I am pleased to report we are once again raising our outlook for the year. Let me start by giving

you some context on how the market is evolving and what is driving our confidence in the future of our business. Needless to say, AI is the most transformative technology of our lifetime.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

4m 28s

What is fascinating to us is that the scale of productivity that AI creates is matched only by the scale of new risks that AI spawns. Mythos and Frontier AI models are proving it every day. Rubrik is a participant in Anthropic's Project Glasswing. We built a complete harness to close the loop from vulnerability discovery to code patching. The reason I bring this up is because our Project Glasswing findings underscore our belief that we are in a singularity moment with AI and cybersecurity. As you might recall from my comments earlier this year, we are no longer in a world of human speed. A few years ago, humans were attacking us, and humans were running our business processes. Enterprises have spent billions across thousands of security tools trying to detect and prevent those threats from materializing. These investments are not proving to be relevant anymore.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

5m 33s

Today, AI agents are attacking us. These autonomous agents use AI for vulnerability chaining to find the right malicious combination to intrude, breach, and encrypt at machine speed. If you have yesterday's cybersecurity tools with human speed response, you have a huge mismatch. At the same time, AI agents are increasingly running business processes, workflows that assume identities, access sensitive data, and take autonomous action. Both threat actors and business operators are now agentic. We have witnessed vivid real-world illustrations of the unprecedented risk that these dynamics pose. This includes the recent Hugging Face incident, in which we saw an autonomous AI agent exploit a zero-day vulnerability and gain unauthorized access to live systems, all without human direction.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

6m 33s

This clearly demonstrated both halves of the risk companies are grappling with, an AI-orchestrated attack moving faster than any human speed response, and an agent operating well outside the guardrail anyone intended for it. In this new reality, prevention and detection are no longer enough. At the same time, you can't fight AI with the same legacy software you have been using. What you will need is a new approach, preemptive risk assessment, real-time guardrail, and AI-speed recovery. In short, agentic cyber resilience. No wonder businesses around the world are turning to Rubrik for agentic cyber resilience. We deliver Rubrik as an AI agent, because an agent is the only way to respond to AI-speed attacks. Rubrik, as an agent, is designed to autonomously collect, monitor, and understand information, create recovery plans, ask humans for permission, and create outcomes.

Rubrik also has agentic governance and security built onto our platform to create runtime guardrails for agentic work. This is the same capability we are delivering to our customers with Rubrik Agent Cloud, which governs and secures our customers' own AI agents. As you may know, we operate two complementary product suites onto our single platform, Rubrik Security Cloud for cyber resilience and Rubrik Agent Cloud for agentic security and governance. These two suites map directly to the two-sided risk enterprises face as they adopt AI, assuming AI-powered breach and assuming agentic overreach. Let me first discuss our opportunity with Rubrik Security Cloud or RSC. Our proprietary preemptive recovery engine is the backbone of Rubrik agentic cyber resilience. Our architectural advantage, which combines time series data and metadata, allows us to continuously pre-calculate clean points of recovery across on-prem, cloud, SaaS, unstructured data, and identity before an attack occurs.

Rubrik's preemptive recovery engine does the work in peacetime to be able to achieve recovery at AI speed in wartime. This is how we deliver record fast recoveries with RSC when our customers are breached or their agents get compromised, and this is why we continually deliver extremely high competitive win rates. Our cyber resilience data protection business continues to benefit from the ongoing transformation towards cyber resilience and consolidation to platforms, not point solutions. Amid an increasingly malicious cyber environment, customers increasingly view Rubrik's unified single platform approach to cyber resilience as a board-level mandatory requirement rather than a discretionary purchase. Customers can initially adopt Rubrik in many different ways, cloud, on-prem, unstructured data, identity, Microsoft 365, Agent Cloud, but we initiate the same single policy engine on our single Rubrik platform.

When a customer adopts Rubrik, they are not just buying a solution, they are stepping into an ecosystem where each additional product adopted makes all existing Rubrik products more powerful. This is a testament of a true platform built on complementary network effects. Let me share two of the many illustrative customer wins from the quarter. First, we landed a new logo deal with a U.S. state government agency, which displaced its legacy incumbent after concerns around cyber recovery times amid the rise of cyber threats. The agency chose Rubrik for enterprise and M365 protection, noting our reliability, compliance fit, and the speed of cyber recovery. Second, we won a new Global 2000 financial services customer, displacing a legacy vendor and outcompeting a new-gen competitor.

This customer selected Rubrik to protect its full data environment, including on-premises data centers, cloud, M365 unstructured data, and identity with Rubrik winning due to the strength of our cyber resilience capabilities across a single platform. In addition to cyber resilience, Rubrik solved for the customer's tool consolidation needs amid growing tech sprawl. Turning to Rubrik Flex, our unified platform contract vehicle, which we introduced at Forward in June. Rubrik Flex is one license, one contract, one commitment for complete agentic cyber resilience. We are pleased with the early reception and have already closed a handful of Flex deals.

As an example, one of our largest expansion deals of the quarter was a Flex deal with a large U.S. healthcare system, extending our platform beyond its existing on-premises footprint to cover M365 cloud and identity data under a single enterprise agreement. This win came against cloud-native backup tools, with customers citing a single pane of glass across on-prem cloud SaaS and identity data as the deciding factor for true cyber resilience. We believe Flex will become

the default motion for our largest strategic accounts over time. Turning to identity, our identity resilience business continues to be one of the fastest-growing product lines in the company's history. As you might recall, we started our identity journey with the release of Identity Recovery, which provides the rapid recovery of identity services following cyber attacks or operational failures.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

12m 54s

We then launched Rubrik Identity Resilience, which enhances risk posture by tracking misconfigurations and high risk or malicious changes within identity services. We continue to rapidly disrupt the identity protection market with our recent announcement of the identity roll forward in Identity Resilience. With these capabilities, Identity Resilience now gives our customers the ability to recover identity systems to a clean current state without losing legitimate business progress and without leaving attackers' persistence behind. We have been building towards identity for years. Our recent acquisition of Strata Identity only accelerates it, bringing orchestration capabilities that makes our platform complete. There is nothing like this in the market. Let me share one specific example of an identity win.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

13m 52s

In the second quarter, we won an identity resilience, cloud data, and SaaS protection deal with a large online fashion retailer, displacing its incumbent native backup tools and beating out a point solution competitor. The customer chose Rubrik for its mission-critical applications across M365 Active Directory and its e-commerce platform in Azure, citing our air-gapped immutable backups and speed of clean recovery in case of a cyber incident. Let me turn to Rubrik Agent Cloud or RAC. As we have discussed in detail at our Analyst Day, RAC is built around three pillars: continuous monitoring and observability of sanctioned and unsanctioned agents, dynamic runtime security and governance through our Semantic AI Governance Engine, or SAGE, and Agent Rewind, which allows our customers to surgically undo destructive agent actions. More recently, we unveiled Rubrik Agent Identity, the access plane for RAC.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

15m 1s

It governs who can do what with agents, which users and groups can use which agents, which MCP servers and tools those agents can reach, and what scoped access each individual tool call receives at the moment of action. Agent Identity extends existing identity infrastructure that customers already run and federate with Okta and Microsoft Entra ID. This brings user and group context into every access decision. Rubrik Agent Identity completes the RAC governance model. As a reminder, in RAC, we are building a complete agent security and governance platform across agent visibility, agent identity, agent runtime security, and agent rewind. This is extremely valuable for our customers, as they don't have to buy point solutions from many vendors, then stitch them together by themselves. While early, we are pleased with the momentum of RAC and continue to see proof-of-concept engagement convert into production deployments.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

16m 13s

We now have over 15 and growing RAC customers. One of our larger RAC wins came from a long-time platform customer already relying on Rubrik for cyber resilience across on-prem, cloud, and M365 workloads. As this large retailer scales AI coding agents across engineering, the customer expanded onto RAC, extending the same platform it already trusts for recovery into agentic governance. The customer noted the appeal of Agent Rewind to undo destructive agent actions at machine speed, and SAGE to secure those same agents in real-time with AI. In summary, as I look back onto the quarter, three things stand out. Number one, AI speed breaches and agentic overreach are no longer hypothetical. They are inevitable. Companies are waking up

to a new reality that AI agents can and will attack at machine speed and increasingly compromise enterprise agents, resulting in massive insider attacks.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

17m 23s

This is exactly why agentic cyber resilience, not legacy prevention, detection, and recovery, is becoming the board-level standard. Number two, every part of our platform is compounding on the power of complementary network effects. Data protection, identity resilience, and agent security and governance aren't three separate bets. They are one flywheel. This quarter shows customers consolidating onto the Rubrik platform rather than buying another point solution. Finally, number three, the results prove the model, not just the moment. Accelerating net new ARR, expanding margins, and raised outlook show our confidence that this is a durable execution at scale. With agentic AI adoption is still early, our opportunity ahead is far larger than what we have captured so far. In closing, as always, I want to thank my fellow Rubrikans for outstanding innovation and execution.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

18m 29s

I also want to thank our customers and partners for their continued trust, and of course, you, our shareholders, for your continued support. It is still early innings in this era of agentic cyber resilience, and I strongly believe Rubrik's best is yet to come. With that, I'm pleased to pass it over to our Chief Financial Officer, Kiran Choudary.



Kiran Choudary CFO, Rubrik

18m 53s

Thank you, Bipul. Good afternoon, everyone, and thank you for joining us today. We had a strong second quarter, exceeding all our guided metrics and demonstrating continued execution in the large and growing cyber resilience market. We are pleased to once again raise our outlook for the year. Let me start by briefly recapping our second quarter fiscal 2027 financial results and key operating metrics, and then I'll provide guidance for the third quarter and full year fiscal 2027. All comparisons, unless otherwise noted, are on a year-over-year basis. We are very pleased to have ended the second quarter with subscription ARR of \$1.66 billion, growing 33% year-over-year. We added approximately \$96 million in net new subscription ARR in the quarter. We did not see any material impact to our subscription ARR from rising hardware costs or supply constraints.



Kiran Choudary CFO, Rubrik

19m 58s

As a reminder, we are primarily in the business of selling software either in the cloud or self-hosted. Moving along, our differentiated land and expand model benefits from multiple avenues to gain new customers and grow our footprint after the initial contract. Expansion occurs through data growth in existing applications, securing more applications and identities, adding more security products, or adding Rubrik Agent Cloud. As a result, we continue to see strong subscription net retention rate of over 119% in the second quarter. We are very proud of the high customer retention and expansion dynamics of our business. All vectors of expansion are healthy contributors to our NRR, highlighting the meaningful runway we have to more deeply penetrate our customer base. We ended the second quarter with 3,084 customers with subscription ARR of \$100,000 or more, up 23%.



Kiran Choudary CFO, Rubrik

21m 0s

These larger customers now contribute 88% of our subscription ARR, which continues to grow as we become an increasingly strategic partner to our enterprise customers. Customers with subscription ARR of \$1 million or more grew over 57%. For the second quarter, subscription revenue was \$407.2 million, up 37%. Subscription revenue in the second quarter primarily benefited from stronger ARR growth as well as more upfront revenue in the quarter, including

higher RSC-P and material rights. Material rights related to our cloud transformation contributed approximately \$4.7 million to subscription revenue in the quarter, compared to \$8.5 million in the prior quarter. Our other revenue category includes services as well as hardware sales in some regions, such as APAC, that have not been fully transitioned to our partners. In Q2, other revenue benefited from the higher price and volume of hardware due to business strength in those regions.



Kiran Choudary CFO, Rubrik

22m 8s

Please note that our subscription ARR does not include sales related to other revenue. Total revenue was \$427.3 million, up 38%. Revenue normalized for material rights increased 43%. Turning to the geographic mix of revenue from the Americas grew 33% to \$299 million. Revenue from outside the Americas grew 52% to \$129 million. Before turning to gross margins, expenses, and profitability, I would like to note that I will be discussing results on a non-GAAP basis going forward. Our non-GAAP gross margin was 81% in the second quarter, compared to 81.6% in the year ago period. Our gross margin benefit from greater scale in our customer support organization, offset by lower material right related revenue and revenue mix. We continue to expect gross margins in our long-term target range of 77%-82%, as we discussed at our Analyst Day.



Kiran Choudary CFO, Rubrik

23m 15s

As a reminder, we look at subscription ARR contribution margin as a key measure of operating leverage. We believe the improvement in our subscription ARR contribution margin demonstrates our ability to drive operating leverage and profitability at scale. Subscription ARR contribution margin was 14% in the last 12 months ended July 31, compared to 9.4% in the year ago period, an improvement of 460 basis points. The improvement was driven by higher sales, the benefits of scale, and improving efficiencies and cost management across the business. Free cash flow was \$65.7 million, compared to \$57.5 million in the second quarter of fiscal 2026. The increase was primarily driven by higher sales and improved operating leverage. Turning to our balance sheet, we ended the second quarter in a strong cash position with \$1.75 billion in cash equivalents, and short-term investments and \$1.13 billion in convertible debt.



Kiran Choudary CFO, Rubrik

24m 25s

Let me now provide some context on our guidance. We are confident in our outlook driven by the robust cyber resilience market, our differentiated technology platform, and the scaling of our emerging products, such as Identity Resilience. This momentum, coupled with our consistent and effective execution, positions us to achieve strong subscription ARR growth ahead. We plan to continue making operational investments across two key areas. First, we will continue to invest in R&D to accelerate innovation in the large but developing markets of data security and AI. Second, we will invest in our go-to-market, specifically targeting regions and verticals that we believe offer the most attractive ROI. These go-to-market investments will also focus on scaling our newer innovations, including our Identity Resilience platform and Rubrik Agent Cloud. Now turning to our guidance for the third quarter and full year fiscal 2027.



Kiran Choudary CFO, Rubrik

25m 29s

In the third quarter, we expect revenue of \$429 million- \$431 million, up 23%, or up 31% when normalized for material rights. We expect material rights related to our cloud transformation to contribute approximately \$2 million- \$3 million to revenue in the third quarter. We expect non-GAAP subscription ARR contribution margins of approximately 14%. We expect non-GAAP earnings per share of \$0.07- \$0.09 based on approximately 230 million weighted average shares outstanding. For the full year fiscal 2027, we expect subscription ARR in the range of \$1.88 billion- \$1.885 billion, reflecting a year-over-year growth rate of approximately 29%. We expect total revenue for the full year fiscal 2027 in the range of \$1.685 billion- \$1.693 billion. As a reminder,

in fiscal 2027, the substantial reduction in material rights revenue will represent a meaningful headwind to our reported revenue growth.



Kiran Choudary CFO, Rubrik

26m 41s

We expect material rights related to our cloud transformation to contribute approximately \$18 million to revenue for the full year. Revenue growth normalized for material rights is expected to outpace our subscription ARR growth rate. In terms of profitability, we plan to continue to stay focused on capturing the market opportunity in cybersecurity and AI while balancing growth with improved efficiency. Based on our current investment plans, we expect non-GAAP subscription ARR contribution margins of approximately 15.5% for the full year fiscal 2027. We expect non-GAAP earnings per share of \$0.47- \$0.53 based on approximately 228 million weighted average shares outstanding for the full year. We expect free cash flow of \$323 million- \$333 million. As always, we have included additional modeling points in our investor presentation.



Kiran Choudary CFO, Rubrik

27m 43s

In closing, we are very pleased with our strong second quarter results and remain confident in our ability to deliver durable and efficient growth as a market leader in cyber resilience. With that, we would like to open up the call for questions.

Operator

28m 1s

We will now begin the Q&A session. Please limit yourself to one question. If you would like to ask a question, please press star one to raise your hand. To withdraw your question, press star one again. We ask that you pick up your handset when asking a question to allow for optimum sound quality. If you are muted locally, please remember to unmute your device. Please stand by while we compile the Q&A roster. Your first question from the line of Saket Kalia with Barclays. Your line is open. Please go ahead.



Saket Kalia Analyst, Barclays

28m 35s

Okay, great. Hey, guys. Thanks for taking my question here. I'll keep it to one. Maybe the question is for you, Kiran, a little bit of a housekeeping question. Can you just talk about how much ARR in the quarter, subscription ARR, came from the Strata Identity deal or just inorganic in general? I think there's some questions out there just around how big that was. Just for everybody's benefit, can you just walk through how much of this quarter's ARR came from inorganic?



Kiran Choudary CFO, Rubrik

29m 5s

Sure, Saket. Thanks for the question. I'll just clarify here that in the most recent reported quarter, Q2, there was zero ARR from Strata acquisition. Also clarify that in the guidance we provided, there's assumption of zero ARR as well. So both zero in the quarter, zero for the year.



Saket Kalia Analyst, Barclays

29m 25s

Very helpful. Thank you.

Operator

29m 30s

Your next question from the line of Fatima Boolani with Citi. Your line is open. Please go ahead.



Fatima Boolani Analyst, Citi

29m 37s

Thank you. Good afternoon. Thank you for taking my question. Kiran, I wanted to talk to you a little bit about the guidance. You've seen a pretty remarkable degree of growth on a net new ARR basis year to date. When I look at what is implied by your guidance for the back half, we're seeing

a pretty material step down, essentially from something in the 20s on average down to mid-single digits. That's a pretty precipitous deceleration. Barring some of the baseline conservatism that you always apply, I'm wondering what other factors that you are explicitly accounting for to have that be part of your thought process. Relatedly, what are some of the levers or I guess, positive externalities that can transpire such that you can have a back half net new ARR growth performance that's comparable to, if not better than the first half.



Fatima Boolani Analyst, Citi

30m 37s

Thank you.



Kiran Choudary CFO, Rubrik

30m 39s

Sure, Fatima. Let me take the first part of the question. Obviously very pleased with the first half performance, including Q2. As you know, we accelerated net new ARR growth. When you look at the guidance, we took the guidance up by the full beat in Q2, as well as raised some more. Totally when you look at the last guide versus this guide, it's about \$24 million- \$25 million higher. In fact, the net new ARR growth rate implied by the new guidance for the year is 700 basis points over the previous guide. Went from 7%- 14%. Obviously, we run the business, as we have said many times, on an annual net new ARR basis, our sales compensation as well. The plans have changed over the last year on an annual basis as well.



Kiran Choudary CFO, Rubrik

31m 23s

It is really the annual number we focus on running the business for. We have a multi-product motion with multiple products doing really well, and it is obviously the half time in the year. We still have two quarters to execute. I feel pretty confident about the numbers we put forward and the pipeline we have to execute it.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

31m 40s

Just to add a little more color, Fatima, on that. If you look at where we started the fiscal year in terms of our net new ARR for the year, in two quarters, we have raised the net new ARR by \$45 million, which is more than 10% from the beginning of the year number that we projected. That is without any inorganic. As Kiran said, we added zero ARR from the Strata acquisition, and the Strata acquisition is also not part of our projection. Zero in the projection and zero in the quarter. We are accelerating our business, and if you look at this particular quarter, our net new ARR grew 35% year-over-year, which is a significant acceleration from our past quarter.



Melissa Franchi VP of Investor Relations, Rubrik

32m 39s

Thank you, Fatima.



Kiran Choudary CFO, Rubrik

32m 40s

I will just add one more thing, Fatima. This is Kiran. We have talked about in the past as well, in terms of the cloud net new ARR. We obviously have had a very successful run with the migrations, which is wrapping up this year. When you look at the cloud net new ARR growth, as of last quarter, we were reporting out the adjusted number without migrations, and we grew 20% year-over-year in terms of the cloud net new ARR growth. We obviously provided that in the press release and the investor presentation as well.

 Fatima Boolani Analyst, Citi

33m 10s

Very clear. Thank you.

 Melissa Franchi VP of Investor Relations, Rubrik

33m 14s

Thank you.

Operator

33m 16s

Your next question from the line of John DiFucci with Guggenheim. Your line is open. Please go ahead.

 John DiFucci Analyst, Guggenheim

33m 25s

Thank you. Thanks for clarifying that, Kiran. Like I said, you already had, but I think you said it verbally. Anyway, I look at these numbers and I see really good numbers here. The acceleration is something that I don't think people see everywhere. They don't. But I have a thematic question for Bipul. Bipul, you've been ahead of the curve, you, your team. When the world changes, it pertains to the needs of backup and recovery, to not just be looking at time series data, but also the metadata, the application layer. Because of doing that, you were able to do other things that you might not have anticipated when you made that decision for different reasons.

 John DiFucci Analyst, Guggenheim

34m 17s

And it really seems like because of that, too, you are also well-positioned when it comes to AI, and you have explained that in detail to me, and I appreciate that. But as you point out, we are still really early with AI. Some companies have deployed agents, but they have not done it in mass, and they really have not done a lot of trying to secure them. I guess, where are you? I know you are well-positioned because of where you sit and see all the data, and not only see it, you manage it. But where are you as far as the products, and will your products be ready when the world is ready, when all your customers need you?

 Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

35m 5s

Thanks, John. If you look at our strategy, we have three pillars of products, from data to identity to AI. And why are we doing AI? Because AI agents assume identity and work on sensitive data, and that is why you need to have a comprehensive agent security and governance platform as folks are adopting agents. As you know, businesses will have two kinds of agents. One is custom agent that is custom-built for their business workflows. And those take time to build because you need to have harmonized data structures, harmonized ontology, and context on the data before you can really design an agentic business processes custom to your business. But coding and search has become two widely adopted use case within enterprise when it comes to AI.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

36m 5s

But when customers deploy these agents to do coding or search, they are worried about these agents taking destructive action or not following security protocols of the business. And that is why we focused on building agentic security and governance. But agentic security and governance, everybody is taking a point solution approach. We are taking a comprehensive approach from agent visibility, so telling what sanctioned or unsanctioned agents you have, to Rubrik Agent Identity, which actually gives you the control and access plane for that agent, so that at runtime through MCP proxy, we are enforcing only the right set of data is being touched by the right user. Then we have agent runtime security with our Semantic AI Governance Engine, where we are looking at the agentic intent and stopping actions that are not aligned to the business process and rules.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

37m 6s

And then finally, Agent Rewind, that if agents take bad action, you can undo those actions. So we are taking a comprehensive approach to agentic security and helping our customers go on the agentic journey. They are mostly around coding and search so far. Just to give you a sense, one of a large U.S. healthcare technology firm bought Rubrik, and their CIO was involved in that purchase to ensure that their agentic usage is compliant.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

37m 42s

And since it is a healthcare company, they were worried about data leakage and compliant with the healthcare data. And with our Rubrik Agent Cloud, they will be able to securely expand agentic usage across the organization because they now have both ability to secure the access in runtime, understanding the intent of the agent, as well as the ability to rewind. So these are the kinds of things our customers are coming to us.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

38m 13s

Just like we have delivered data resilience and identity resilience, we are now delivering AI resilience.



John DiFucci Analyst, Guggenheim

38m 22s

So it sounds like you're there. You're ready. It's just when they're ready, you're ready. Is that accurate?



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

38m 28s

Exactly.



John DiFucci Analyst, Guggenheim

38m 30s

Got it.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

38m 30s

Exactly that.



John DiFucci Analyst, Guggenheim

38m 31s

Thank you.



Melissa Franchi VP of Investor Relations, Rubrik

38m 32s

Thank you, John.

Operator

38m 36s

Your next question from the line of Gregg Moskowitz with Mizuho. Your line is open. Please go ahead.



Gregg Moskowitz Analyst, Mizuho

38m 44s

Great. Thanks very much for taking the question. I echo John's sentiments that it was important hearing just to quantify and reiterate the net new cloud ARR growth of 20% year-over-year, very healthy. That being said, it was still fairly well below the total net new subscription ARR growth, and I'm wondering, Kiran, if you could walk through the dynamics behind this, as well as what your high-level expectations are going forward, for the mix of cloud versus other ARR growth. Thank you.



Kiran Choudary CFO, Rubrik

39m 13s

Sure, Gregg. I can clarify that. I think we spoke about the previous quarter as well. We have a cloud business as well as a non-cloud business, and the non-cloud business is largely directed towards folks who are in the regulated industry, government agencies as such, on-prem, who do not want to use the cloud. That business has started to grow. Obviously, we went through a period of migrations when there was a piece of the non-cloud business which was moving to cloud, but that has largely been done now. Going forward, you'll see the non-cloud business grow as well. We saw that last quarter, we saw it this quarter, and going forward, too. The total net new ARR growth for subscription ARR is going to be a combination of the cloud as well as non-cloud.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

40m 2s

Just to add a little bit of a color, Gregg.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

40m 7s

Given the geopolitics and given all the things that we are seeing around the world in terms of security, every country is now concerned about containing their supply chain and economic infrastructure. As you can imagine, digital infrastructure and AI infrastructure is an important economic infrastructure. That is why folks are working on digital embassies and containing data, containing infrastructure in their own sovereign realm. This whole sovereign cloud and sovereign infrastructure is actually driving some trend towards non-cloud Rubrik sales, and that is what you see around regulated industries, sovereign-sensitive industries, defense, government. Overall, geopolitics concerns is driving non-cloud sovereign deployments.



Kiran Choudary CFO, Rubrik

41m 7s

I will also add, Gregg, that there is ample demand in both these markets, both the cloud and the non-cloud. So we run the business on subscription ARR. That is the primary metric we focus on, and the mix of cloud, non-cloud will play out depending on the quarter.



Kiran Choudary CFO, Rubrik

41m 22s

We have given some modeling points to guide for the second half in terms of non-cloud contribution, which should help you with the modeling.



Gregg Moskowitz Analyst, Mizuho

41m 32s

It makes perfect sense. Thank you both.



Melissa Franchi VP of Investor Relations, Rubrik

41m 36s

Thank you, Gregg.

Operator

41m 38s

Your next question from the line of Eric Heath with KeyBanc. Your line is open. Please go ahead.



Eric Heath Analyst, KeyBanc

41m 46s

Great, thanks for taking the question. Bipul, question for you, high level on the demand environment. We are hearing commentary, and seeing your results as well, but hearing commentary about a post-Mythos inflection. Can you just talk about the incremental demand you are seeing for cyber resilience or RAC in response to Mythos, and maybe how that is starting to materialize in the quarter or the outlook? Thank you.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

42m 13s

Thanks, Eric. We have been saying for the last six, seven years, saying prevention and detection of cyber attacks is not sufficient. Folks have to assume breach and prepare for cyber recovery and cyber resilience. Mythos and Frontier AI models have been a huge inflection point for our industry. What Mythos has demonstrated is the vulnerability chaining will make low-priority vulnerability into a P0 problem. As a result, and these models are so smart, that there is no real time between intrusion and breach. You cannot stop breaches. You cannot detect or prevent pretty much anything if the vulnerability exists. The real strategy is fast recovery or what we call machine speed recovery and patching without human intervention. The whole industry is now aligned to our original vision of assume breach and deliver machine speed recovery.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

43m 25s

We are seeing acceleration in terms of the customers coming to us, having concerns about Mythos deploying cyber resilience capability that can deliver preemptive recovery engine, which delivers AI speed recovery. That is the conversation. That is the first part of the agentic cyber resilience, where AI is attacking you. At the same time, your agent that you are deploying in your enterprise can get compromised, and that could lead to a significant insider attack. Folks are also worried about resilience for these AI agents, and that is why we have a complete agentic resilience platform with Rubrik Agent Cloud that delivers both security and governance of AI agents.



Melissa Franchi VP of Investor Relations, Rubrik

44m 17s

Thank you, Eric.

Operator

44m 21s

Your next question from the line of Keith Bachman with BMO. Your line is open. Please go ahead.



Keith Bachman Analyst, BMO

44m 28s

Yes, many thanks for taking the question. Bipul, I wanted to ask, and Kiran too, on RAC, just trying to gauge expectations, and I will break it into a few different pieces. The first part is on competition. When I hear the message on RAC, particularly around governance, it sounds a lot like what the identity providers are suggesting, not on the access piece, but on the governance

piece. I just wanted to hear your perspective on where you think you are going to face competition. The second part is just on the 15 customers, are those paying customers? Could you just clarify? Then more broadly, the final piece of expectations is you have conditioned us to not think about RAC really contributing ARR this year, but should we be thinking about ARR given all the activity surrounding agentic risk?



Keith Bachman Analyst, BMO

45m 26s

Can that contribute ARR in calendar year 2027 or your next fiscal year? That is it for me. Many thanks.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

45m 35s

So let me start by giving you where we are. Yes, we have more than 15 paying customers for RAC. We are seeing a strong proof of concept to production deployment trend on RAC. You talked about the competition and noise in this particular market. Yes, there is competition for point solutions. Observability companies are providing visibility into agents. Identity companies are providing access and governance into agents. Pretty much not many people are doing watching intent of AI agent with AI. That is unique, that we brought into the marketplace. Obviously, Agent Rewind is our heritage.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

46m 29s

If you look at Rubrik's strategy, instead of having our customers buy four or five-point solution and stitch them together to have complete visibility and control on AI agents, they could buy Rubrik platform, which has visibility, identity, runtime security, as well as Agent Rewind, all on a single platform. We are taking a very long-term platform approach because we believe that this particular market requires comprehensive platform because the risk with agents are very high, and we want our customers to deploy agents with confidence and get the benefit of the productivity that AI delivers.



Kiran Choudary CFO, Rubrik

47m 13s

Keith, this is Kiran. I will just add that we are very pleased with the progress so far, but the focus here is on finding the right product market fit and making our customers successful. There is minimum assumption of RAC in this year's ARR, and we will keep you updated as the year progresses.



Keith Bachman Analyst, BMO

47m 31s

Okay, many thanks.



Melissa Franchi VP of Investor Relations, Rubrik

47m 34s

Thank you, Keith.

Operator

47m 36s

Your next question from the line of Todd Coupland with CIBC. Your line is open. Please go ahead.



Melissa Franchi VP of Investor Relations, Rubrik

47m 51s

Todd, you may be on mute. Next question, please.

Operator

48m 0s

Your next question comes from the line of Junaid Siddiqui with Truist. Your line is open. Please go ahead.



Junaid Siddiqui Analyst, Truist

48m 8s

Great. Thank you for taking my question. Kiran, you mentioned not seeing a material impact to your business from rising hardware costs or supply constraints. Are you seeing a measurable increase in displacement opportunities where customers are reconsidering more hardware-dependent backup architectures? Could the current pricing environment create a more durable share gain opportunity over the next couple of years?



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

48m 36s

Junaid, just to give you the market and product sense, Rubrik does have a product that utilizes our customer's existing infrastructure to deliver cyber resilience. Having said that, we are a software company, and we are in the business of selling software. Our customers have the opportunity to deploy cloud data protection across the many vendors that they might have in terms of their hardware supply chain. Plus, if you look at where our business is today, Rubrik is not a point solution on data center. That is a smaller part of our business. If you look at our overall business around cloud, M365, identity, and RAC, all other products that we are selling. That's the reason that we have no material impact from hardware costs rising or supply chain issues. Kiran, do you want to give some?



Kiran Choudary CFO, Rubrik

49m 45s

No, just to reiterate, enterprise protection is a smaller part of the business. We had shared some data at our Analyst Day in June as well, just in terms of the scale of that business. We are a multi-product company with different avenues for growth, and customers can protect data across different workloads in the cloud as well as on premise.



Melissa Franchi VP of Investor Relations, Rubrik

50m 9s

Thanks, Junaid.



Junaid Siddiqui Analyst, Truist

50m 9s

Great. Thank you.

Operator

50m 13s

Your next question from the line of Param Singh with Oppenheimer. Your line is open. Please go ahead.



Param Singh Analyst, Oppenheimer

50m 20s

Yeah.



Param Singh Analyst, Oppenheimer

50m 20s

Yeah. Hi. Thanks for taking my question. I wanted to dive a little bit more onto the identity resilience side. I want to understand how ubiquitous is the adoption of that across your install base today. Do you think that's an incremental opportunity to penetrate other customers, or are you leading with it? Thank you for taking my question.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

50m 42s

Thank you, Param. If you look at data security, the risk on the data security comes from user interaction on data, that is your identity. That's why we built the complete identity resilience platform. It's still early days for us in identity, and penetration in our customer base is still very early. Obviously, we started with identity recovery as the first product, and then we built identity resilience that brings the risk aspect of the identity. In that risk aspect, misconfigured identity, privilege escalation, sensitive data exposure because of the privilege escalation, and this is where we bring the DSPM flavor into identity. We have a significant opportunity with identity. Just this quarter, we closed the largest international identity deal in Rubrik's history with an existing customer.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

51m 42s

The customer had the requirement of recovery in hours, and their current solution was recovering in days, like seven days. This deal was a very high priority CIO, CISO level deal, and Rubrik Identity Resilience provided that solution to the customer. As you can see, identity data and the whole AI resilience, we are delivering the complete package to our customers to be ready for Mythos or whatever comes next.



Param Singh Analyst, Oppenheimer

52m 21s

Understood. Thank you.



Melissa Franchi VP of Investor Relations, Rubrik

52m 24s

Thank you.

Operator

52m 26s

Your next question from the line of Shrenik Kothari with Baird. Your line is open. Please go ahead.

Analyst, Baird

52m 34s

Hey, guys, this is Zach on for Shrenik. Thanks for taking our question. One distinctive part of the Rubrik story really has been your ability to organically build successive businesses, cloud, SaaS, now identity, while still selectively using acquisitions to accelerate certain capabilities. Really as the opportunity broadens across identity, AI, etc, would love to hear how you guys are thinking about the build versus buy prospect from here. Maybe are there any areas where the speed or data advantages increasingly makes M&A more attractive, maybe than just the organic incubation model? Thanks.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

53m 16s

Thank you. In terms of Rubrik's strategy, we always took a platform strategy because we believe that the complementary network effects of the Rubrik platform is very powerful to our customers because they are not just buying a solution from Rubrik. They are entering into an ecosystem of solutions where each additional product that they buy from Rubrik increases the value of all existing product that they already have with Rubrik. This is the power of our platform. So we always take this approach that we want to look at teams, technologies, products that we can bring in and integrate into our platform so that our customers continue to have a seamless experience. Having said that, we are not dogmatic. We are always looking at new opportunities with the lens saying, "Can we accelerate our roadmap?"



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

54m 10s

Can we accelerate our customer's journey to AI, customer's journey to more of AI transformation?" So we are always looking both organic and inorganic. But so far, we have found

opportunities where we can accelerate our roadmap by finding teams, technologies, products to build into the Rubrik platform.

Analyst, Baird

54m 35s

Great. Thank you.



Melissa Franchi VP of Investor Relations, Rubrik

54m 37s

Thank you.

Operator

54m 40s

Your next question from the line of Gray Powell with BTIG. Your line is open. Please go ahead.



Gray Powell Analyst, BTIG

54m 47s

Okay, great. Thanks for taking the question here and congratulations on the strong results. I just want to make sure that I understand one of the points that we often get from investors. If I am looking at your guidance and the model points in the deck, it looks like non-cloud ARR should be growing around 10% this year, give or take, whereas in prior years, it was declining. I know everybody likes to focus on cloud ARR, but all else equal, isn't growth in non-cloud a good thing? Is there any difference in the gross margin profile or the expansion potential of these products? I guess I am just asking because I am a little bit confused why people tend to overly focus on the cloud metric.



Kiran Choudary CFO, Rubrik

55m 39s

This is Kiran. That is a great question, and I think earlier on the call, I answered as well. For us, we have two businesses. We have a larger cloud business, which is represented by the cloud ARR, and a smaller, but now growing non-cloud business as well. We started our cloud transformation where we started building cloud products and marketing them a few years back after several years of deep R&D, which really allows our customers to manage data sources wherever they set, cloud, non-cloud, and SaaS applications, all from the cloud. We also understand that there are some regulatory and geo requirements for which customers would want to self-host, and we respect that. Bipul talked about earlier, there is an opportunity in sovereign clouds, in governments, and in some regulated environments as well. We will serve those markets fully as well.



Kiran Choudary CFO, Rubrik

56m 32s

You should expect that both these businesses are growth drivers. But we focus on a total subscription ARR. Really the mix at the scale, we are 89% cloud. Maybe there is a little bit more in terms of contribution. But for us, both are important businesses, albeit the non-cloud business smaller. Obviously from a margin perspective, the non-cloud business would have a higher margin because the customer is self-hosting and we are not hosting it for them.



Gray Powell Analyst, BTIG

56m 58s

Okay. That is really helpful. Thank you.



Kiran Choudary CFO, Rubrik

57m 2s

Sure, Gray.



Melissa Franchi VP of Investor Relations, Rubrik

57m 2s

Thank you, Gray.

Operator

57m 5s

Your next question from the line of Rudy Kessinger with D.A. Davidson. Your line is open. Please go ahead.



Rudy Kessinger Analyst, D.A. Davidson

57m 13s

Hey, guys. Thanks for taking my question. I want to double-click on maybe just what you're seeing from the hardware standpoint. Obviously, you said there's no overall impact to the business. The quarter, that's evident in the numbers. You also had mentioned you had sold some higher hardware in APAC, I believe, to some customers. Just what are your customers seeing from a lead time standpoint relative to 90 days ago? And how are they navigating instances where they can't procure that hardware and going about deploying your software in those instances?



Kiran Choudary CFO, Rubrik

57m 47s

Yeah. This is Kiran. I can answer that. As we mentioned in the prepared remarks, there was no material impact from hardware pricing or supply chains on our subscription ARR. That was the case the last quarter as well as the quarter before. So we saw the same phenomena this time as well. On your question on lead times, actually, we are not in the hardware business per se. There is a small portion of hardware which we sell, and that's largely in regions which are smaller, like in some regions in Asia Pacific. We did see lead times actually get better from the start of the year. But no material impact to subscription ARR.



Melissa Franchi VP of Investor Relations, Rubrik

58m 31s

Thank you, Rudy. We'll take the last question.

Operator

58m 35s

Your last question comes from the line of Joe Vandrick with Scotiabank. Your line is open. Please go ahead.



Joe Vandrick Analyst, Scotiabank

58m 43s

Thanks for taking my question. Bipul, maybe for you, can you help us understand what is driving the strength in your identity resilience business today? Is that demand primarily incident-driven? Is it proactive? Are these mostly greenfield deployments or are these competitive displacements? Thanks.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

59m 7s

As you know, hackers are not breaking in. They are logging in because identity has become the weakest link in cyberattacks. Once these attackers get in, lots of times they actually destroy identity systems or do a ransom or encrypt the identity systems or have long-term persistence in the identity system, that becomes their host to attack other places. So identity systems have become also ground zero for cyber. Customers are looking for identity resilience to understand misconfigured identity recovery to recover after a cyberattack. Also, if you have persistence in terms of the malicious identity, you want to roll back and roll forward identity system and roll forward only legitimate identity changes so that you can bring back your identity system in a cleaner state. This has become a significant problem. Historically, only regulated industries customers bought identity recovery systems.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

1h 0m

Now with cyberattack on the rise and everything else that is happening, particularly now with Mythos and other AI models, identity is recognized as a significant weakness. So we are seeing both brownfield as well as white space customers that never bought identity resilience or recovery, they are buying into it. We are very excited about this market. We identified this market early. It built onto our same platform that is giving data protection with identity. Now we are connecting the dots across data, identity, and AI. That is the power of the platform we are bringing to bear to solve this problem.



Melissa Franchi VP of Investor Relations, Rubrik

1h 1m

Okay. Thank you, Joe.

Operator

1h 1m

There are no further questions at this time. I will now turn the call back to Bipul Sinha for closing remarks.



Bipul Sinha CEO, Chairman, and Co-Founder, Rubrik

1h 1m

Thank you, everyone, for joining us today. I truly appreciate your time and questions. We are very excited about agentic cyber resilience and the opportunity ahead of Rubrik. As I said in the prepared remarks, these are early innings for Rubrik. The best of Rubrik is yet to come. Thank you so much. Talk to you soon.

Operator

1h 1m

This concludes today's call. Thank you for attending. You may now disconnect.