

NetApp: Is an AI-Ready Data Platform Producing Durable Growth?

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On September 2, NetApp reported revenue of \$2.025 billion for the first quarter of fiscal 2027, up 30% from the year-earlier quarter. Product revenue rose 51%, all-flash revenue increased 47%, and Public Cloud revenue rose 28%. The company also raised its full-year outlook. Those results arrived as enterprises expanded data and AI projects and as NetApp promoted a platform spanning on-premises systems, public clouds, and data-management software.

The quarter offered a strong signal, but not a simple one. Fiscal Q1 2027 had 14 weeks, compared with 13 weeks in the prior-year quarter. NetApp attributed much of its all-flash increase to demand, supported by higher prices, and said a broader cloud market contributed to Public Cloud growth. Meanwhile, component inflation affected gross margins and supply tightness could constrain shipments. The company did not separately report AI revenue, AI customer economics, or returns from its recently acquired AI data-infrastructure company.

As an outside investor, how much confidence should you place in NetApp's growth as evidence of durable value from its hybrid-cloud and AI data-infrastructure strategy? The question is not whether the quarter was strong. It is what the quarter can establish about the source and staying power of growth.

A data-management company across environments

NetApp grew from an enterprise-storage supplier into a software-driven data-infrastructure company. Its flagship ONTAP software supports storage products and services across on-premises data centers and public clouds. The company describes two operating segments: Hybrid Cloud, which includes storage products, support, professional services, and related offerings; and Public Cloud, which includes cloud storage, data services, and operational services delivered primarily as-a-service.

In its FY2026 annual report, NetApp described four strategic focus areas: modernizing data infrastructure, enabling resilient and secure operations, optimizing cloud strategies, and accelerating AI adoption. It highlighted native integrations with Amazon Web Services, Microsoft Azure, and Google Cloud, alongside ONTAP and its security and data-management capabilities. These are management's stated differentiators and strategy. The public disclosures do not independently establish customer outcomes or a durable economic advantage from them.

NetApp competes with broad infrastructure providers, specialized storage and data-management firms, and native cloud services. The company says customers may choose capital-purchase systems, consumption-based or subscription models, or cloud-native offerings. NetApp both partners with and competes against the cloud providers whose infrastructure

supports some of its services.

What the quarter showed

For the quarter ended July 31, NetApp reported the following:

Q1 FY2027	Revenue	Change from Q1 FY2026
Total company	\$2.025bn	+30%
Product	\$987m	+51%
Services	\$1.038bn	+15%
Hybrid Cloud segment	\$1.819bn	+30%
Public Cloud segment	\$206m	+28%
All-flash revenue	\$1.309bn	+47%

Source: NetApp Q1 FY2027 Form 10-Q and September 2 results release. All-flash revenue includes all-flash products and related services. Figures are reported revenue, not constant-week or organic growth measures.

All-flash revenue reached 72% of Hybrid Cloud revenue, up from 64% a year earlier. Management attributed the increase primarily to customer demand for all-flash storage, supported by price increases implemented in the fourth quarter of FY2026. The filing does not separate unit growth from prices, mix, or customer additions. Product revenue growth was attributed primarily to higher all-flash sales and price increases.

The calendar complicates the comparison. NetApp's fiscal year ends on the last Friday in April; an additional week is included in the first quarter approximately every six years. Q1 FY2027 had 14 weeks, compared with 13 weeks for Q1 FY2026. Management estimated that the extra week contributed about \$65 million in services revenue: about \$50 million in support and \$15 million in Public Cloud. It did not provide a full constant-week reconciliation for company or product revenue.

Support revenue grew 11%. Management attributed the increase mainly to the added week and, to a lesser extent, higher aggregate support-contract value for its installed base. Professional and other services grew 15%, primarily due to its Keystone storage-as-a-service offering. Public Cloud grew 28%; the company cited overall cloud-market growth and the additional week. These explanations leave questions about retention, usage, new-customer growth, and NetApp's share of cloud-market expansion unanswered.

The opportunity and the execution questions

NetApp's products and services address customer needs that can rise with data growth, cybersecurity requirements, cloud adoption, and AI workloads. A customer that values consistent data management across locations may benefit from ONTAP, cloud integrations, support, and related services. NetApp's strategy suggests those capabilities could reinforce one another, but disclosed segment results do not reveal how much cross-selling or AI demand drives the economics.

The company also faces cost and supply pressures. Its Q1 filing said higher memory and other component costs affected gross margins, while tight supply of some products could make it harder to meet demand. NetApp raised prices in Q4 FY2026 and again at the beginning of Q2 FY2027, seeking to offset cost increases while giving customers time to adjust. The filing did not quantify customer response to pricing or the balance between higher prices and unit volumes.

NetApp reported \$5.6 billion in remaining performance obligations (RPO) at July 31 and expected to recognize 44% over the next 12 months. RPO did not include orders placed as needed and cancellable without penalty before shipment; the company cautioned that this backlog may not meaningfully indicate future revenue. Separately, NetApp had \$2.3 billion of purchase commitments, including \$1.9 billion in non-cancelable inventory commitments, with \$2.1 billion due within a year. Commitments may help secure components, but the filing also describes the risk of excess inventory if demand falls short.

In July, NetApp acquired DataPelago for \$193 million: \$87 million paid at closing and \$106 million contingent on specified criteria. NetApp described DataPelago as an AI data-infrastructure company focused on data-processing bottlenecks for AI and analytics workloads. The company said the acquisition's impact on Q1 results was not material and anticipated future revenue synergies. No AI-specific revenue, customer adoption, or acquisition-return measure was disclosed.

A specialist competitor's growth

Everpure, formerly Pure Storage, reported its Q2 FY2027 results on August 26 for the quarter ended August 2. It reported total revenue of \$1.2 billion, up 38%; product revenue of \$687 million, up 54%; subscription-services revenue of \$499 million, up 20%; annual recurring revenue of \$2.1 billion, up 20%; and RPO of \$4.1 billion, up 44%. Everpure also described a second top-five hyperscaler design win and investments in AI data infrastructure.

Everpure's results indicate active competition in storage, subscriptions, and AI-related data infrastructure. Its fiscal period, business mix, scale, and metric definitions differ from NetApp's. The figures are not a like-for-like comparison of market share, profitability, or customer economics.

What cloud research can-and cannot-tell an investor

Two academic studies offer useful but bounded evidence about cloud adoption and value creation.

Liu, Dong, Wei, and Tong studied survey data from 513 firms in China's Yangtze River Delta, collected in 2017. Their partial least squares model, using 5,000 bootstrap resamples, found that technology readiness and security concerns mattered for cloud use in both primary and support activities. The study also linked cloud use to measures of cloud value and reported differences by sector. Its framework points to organizational readiness and integration as part of the value mechanism. However, the cross-sectional survey does not establish causality, and firm-level cloud value is not a measure of a provider's revenue or returns.

Chen, Guo, and Shangguan studied cloud-adoption announcements by listed firms worldwide from 2010 to 2016. They used propensity-score matching and difference-in-differences, comparing adopters with matched non-adopters, and reported positive effects on ROA and Tobin's Q, with differences by time horizon, size, and industry. The study provides a broad historical reason to consider cloud adoption as a possible source of firm value. Its results are not an estimate of NetApp's product performance or returns; conclusions also depend on the study's matching and identification assumptions.

Neither study demonstrates that NetApp's growth is caused by customer cloud adoption, that NetApp captures the value customers receive, or that the current quarter's growth will persist.

Investor assessment

The disclosures support more than one interpretation. NetApp could be extending an installed base and an ONTAP-centered platform into all-flash, cloud, and AI workloads. Or recent results could be driven mainly by a product cycle, higher prices, a longer quarter, and overall cloud-market growth. A third possibility is that real demand is developing, but component costs, supply constraints, and customer adoption timelines will determine whether it converts into attractive economics.

Discussion questions

1. What evidence most strongly supports the view that NetApp is building a durable data-infrastructure position? What evidence supports the alternative explanations for recent growth?
2. How should you interpret all-flash growth, Public Cloud growth, support revenue, and the extra week? Which measures are comparable, and what remains unknown?
3. What do pricing, component supply, purchase commitments, and RPO reveal about the quality and convertibility of demand?
4. How do the Liu et al. and Chen et al. findings inform your assessment? Which mechanisms are relevant, and which results cannot be transferred to NetApp?
5. State your current confidence in the durability of NetApp's strategy and identify three future disclosures or operating indicators that would change your view.

Sources

- [NetApp Q1 FY2027 Form 10-Q, filed September 2, 2026](#), especially Item 2, MD&A; Notes 3, 8, 13, and 14.
- [NetApp FY2026 Form 10-K, filed June 5, 2026](#), Item 1, Item 1A, Item 7, and segment information.
- [NetApp Q1 FY2027 results release, September 2, 2026](#).
- [Everpure Q2 FY2027 results release, August 26, 2026](#).
- Liu, Y., Dong, S., Wei, J., & Tong, Y. (2020). "Assessing cloud computing value in firms through socio-technical determinants." *Information & Management*, 57(8), 103369. [DOI](#).
- Chen, X., Guo, M., & Shangguan, W. (2022). "Estimating the impact of cloud computing on firm performance: An empirical investigation of listed firms." *Information & Management*, 59(3), 103603. [DOI](#).

Information cutoff: October 3, 2026. Management descriptions and forward-looking statements are attributed. No later outcome is included.