



Qualys Q1 FY2026 Earnings Prepared Remarks

Foster City, Calif., – May 5, 2026 – Qualys, Inc. (NASDAQ: QLYS), a leading provider of disruptive cloud-based IT, security, and compliance solutions, today announced financial results for the first quarter ended March 31, 2026.

Blair King, Investor Relations

Good afternoon, and welcome to Qualys' first quarter 2026 earnings call.

Joining me today to discuss our results are Sumedh Thakar, our president and CEO, and Joo Mi Kim, our CFO. Before we get started, I would like to remind you that our remarks today will include forward-looking statements that generally relate to product capabilities, future events or our future financial or operating performance. Actual results may differ materially from these statements. Factors that could cause results to differ materially are set forth in today's press release and our filings with the SEC, including our latest Form 10-Q and 10-K. Any forward-looking statements that we make on this call are based on assumptions as of today, and we undertake no obligation to update these statements as a result of new information or future events.

During this call, we will present both GAAP and non-GAAP financial measures. A reconciliation of GAAP to non-GAAP measures is included in today's earnings press release. As a reminder, the press release, prepared remarks, and investor presentation are available on the Investor Relations section of our website. With that, I'd like to turn the call over to Sumedh.

Sumedh Thakar, president and CEO

Thanks, Blair, and welcome to our first-quarter earnings call.

I'm pleased to report we delivered another quarter of strong revenue growth and profitability.

With the accelerated progress of new frontier models discovering vulnerabilities and writing exploits autonomously, the number of detections is going to go up significantly, while the exploit window is going to shrink dramatically. The need for organizations to know their true risk to effectively prioritize and auto-remediate riskiest vulnerabilities in less than a day, has never been greater. This is why we innovated with the Enterprise TruRisk Management (ETM) platform, which implements a native-AI Risk Operations Center (ROC) so customers can get their risks remediated instead of relying on dashboard tourism with siloed products that increase their exposure. Given our #1 rating in the Gigaom patch management Radar with over 150 million patches deployed and over 40 million of those delivered autonomously in the last year at six sigma accuracy, organizations are turning to Qualys as the trusted solution to help them move from current broken manual remediation processes to high impact, low risk, autonomous remediation workflows at scale that go beyond patch management.

Platform Innovation:

And that's exactly where we're focused. With exploitable vulnerability volumes surging 6.5x and the average time-to-exploit collapsing to under a day as adversaries weaponize vulnerabilities before patches even exist, security teams focused on theoretical exposures are overwhelmed. Just finding more and more vulnerabilities doesn't equal risk. Real risk is determined by whether an adversary can successfully execute an exploit path in an organization's live environment. That's why I'm pleased to report that our most recent addition to our agentic AI marketplace, Agent Val, is now Generally Available. Powered by TruConfirm within our ETM solution, Agent Val delivers closed-loop exploit validation and autonomous remediation directly to the ROC. Using autonomous exploit validation at scale, we remove the guesswork for customers by running safe exploits over the network to confirm whether attackers will succeed in their breach attempts while enabling security and IT teams to focus on the less than one percent of threats actually exploitable in production environments.

In doing so, we've closed the gap between theoretical and actual exposure and believe set a new adoption standard in the industry. While traditional Continuous Threat Exposure Management (CTEM) solutions take days to pull scan telemetry from scanning tools and rely only on theoretical risk scores ignoring mitigating security controls, ETM and its agentic AI workforce take a fundamentally different approach. Inside a continuously functioning loop, it detects vulnerabilities, validates exploitability, quantifies real risk, automates remediation, and revalidates exploit. Optimized and integrated with leading Large Language Models (LLMs), and Small Language Models (SLMs) this end-to-end approach empowers organizations to be laser-focused on prioritizing only exploitable threats for the next logical step, which is autonomous remediation, leveraging Agent Sarah and TruRisk Eliminate. Underpinning our TruRisk Eliminate solution is our new AI-powered Patch Reliability Score, a model trained on our own proprietary data set of hundreds of millions of deployed patches, which predicts patch induced outages before they happen, giving customers the confidence to deploy with certainty or pause with purpose while setting a new standard for predictive, operationally aware patch management. With an umbrella of remediation solutions including patching and other compensating controls with less than a tenth of a percent rollback rate, the AI-native ROC accelerates, streamlines, and democratizes security outcomes while transforming from "we think" to "we know" to "it's been fixed" at machine speed. In the context of the newest frontier AI models giving attackers the ability to soon discover a deluge of zero-day vulnerabilities, generate exploits in near real time, and develop autonomous attack agents unlike anything the industry has ever seen, the feedback to our, get it fixed in hours approach, from many of the CISOs I met with at our recent ROCon EMEA event in London has been quite positive. They shared their excitement about the rapid pace of new capabilities we're delivering, their deployment agendas, and their ability to now autonomously monitor, measure, and confidently remediate actual risk in multi-vendor environments in an era where just generating visibility dashboards is increasingly unacceptable.

Our industry leading capabilities are gaining broader recognition among our customers, partners, and third-party analysts. Specifically, our TotalCloud solution was recognized as a leader in Cloud Native Application Protection Platforms (CNAPP) in the Q1 2026 Forrester Wave report, and subsequently won the 2026 SC award for the best cloud security management solution. Both underscore our capabilities in delivering unified visibility with real-time detection and response at runtime across hybrid environments. It was also positioned as a leader in the 2026 GigaOm Radar report for Cloud Identity Entitlement Management (CIEM). And, following our dual Pwnie Awards late last year, our Threat Research Unit (TRU) has again demonstrated its impact with the discovery of CrackArmor, uncovering critical AppArmor vulnerabilities that can lead to root-level

compromise and container escape across millions of Linux systems worldwide. This, alongside our recently released research on “The Broken Physics of Remediation,” further demonstrates Qualys’ commitment to fortifying security operations and raising the bar on adversaries.

The net result is that we have distinctly unified CTEM, exploit validation, cyber risk quantification, and remediation into a single AI-driven risk fabric that continuously senses, alerts, reasons, and acts across hybrid environments. Armed with these capabilities and growing ROC momentum that will soon autonomously trigger ITSM workflows, we remain laser-focused on accelerating ETM adoption throughout our Vulnerability Management Detection and Response (VMDR®) customer base and positioning Qualys for larger upsell opportunities over time.

Q1 Business Update:

Turning to our business update, we have established a long history of converting operational challenges into strong competitive advantages, demonstrated by customers spending \$500,000 or more growing 9% from a year ago to 221.

That’s why one of my favorite wins in Q1 was with an existing Global 1500 customer. Despite strong foundational visibility, their teams struggled to operationalize risk reduction across a growing mix of on-prem and multi-cloud environments, siloed tools, fragmented telemetry, a growing population of LLMs, and millions of vulnerabilities with limited business context. This customer recognized that traditional severity-based prioritization methods were no longer sufficient and launched a strategic initiative to unify risk signals across their environment and operationalize the ROC. Leveraging AI for security, and security for AI, they expanded their Qualys footprint by adopting ETM and TotalAI in a mid-six-figure annual upsell. By consolidating disparate signals into the Qualys platform, this customer now has a unified orchestration layer that delivers end-to-end visibility across their attack surface including deep scans on their assets across binaries, open-source libraries and dependencies with centralized risk quantification, prioritized remediation workflows, and measurable outcomes aligned with the business's risk tolerance. This win reflects broader ETM momentum as more and more customers turn to Qualys for evidence-based exploit validation and remediation, while benefiting from the efficiency and scale of AI-native ROC automation.

Partners also remain a key pillar of our growth agenda. In addition to a growing list of nearly two dozen certified mROC partners beginning to actively launch new services, we’re seeing momentum build across all geographic theaters with a strong focus on AI-native ROC migrations. For example, one of our largest mROC partners is now in the process of bringing a Mythos ready AI-native ROC to market powered by our ETM and automated remediation solutions.

Additionally, through our strategic alliance initiatives, we continue to drive deep technology integrations, co-selling opportunities, and demand generation programs. To drive innovation in security research through the latest frontier models, we have partnered with OpenAI in its Trusted Access for Cyber (TAC) program and with Anthropic in its Cyber Verification Program to advance our vulnerability and threat intelligence and allow customers to ingest these findings into ETM for further detection and remediation. On the cyber insurance side, we are also pleased to announce a new strategic partnership with Converge Insurance, leveraging the Qualys ETM solution to help their customers demonstrate strong security hygiene and qualify for meaningful premium reductions advancing our vision of tying cyber security to business outcomes for CISOs.

Further supporting our growth trajectory, in Q1 we continued to expand beta testing of QFlex, designed to help customers accelerate and broaden their adoption of the Qualys Enterprise TruRisk Platform. Based on strong early engagement and positive feedback, we plan to build on this momentum by proactively identifying opportunities to extend QFlex to select customers and partners with a go-live date planned for later this year.

And finally, as the Federal government seeks to garnish greater efficiency and replace outdated and costly on-prem deployments from years past with modern cloud-native risk management solutions, we're especially excited to host our third annual Federal conference in Washington DC toward the end of this month. We've made good progress growing our federal business and advancing our FedRAMP High status with large federal agencies, and we continue to believe this market will fuel a new leg of growth for the company over time.

In summary, we are pioneering a new category in pre-breach risk management by bringing autonomous exploit validation, risk quantification, and zero day remediation together within a single AI-driven risk fabric that redefines how enterprises operationalize cyber risk. Complimenting frontier model discovered vulnerabilities, our platform leverages proprietary domain data, real-time telemetry, and deep operational context using sensors and agents behind the firewall to continuously discover assets, validate exposures, quantify risk, remediate threats, and enforce company specific policies, which are unavailable in the public domain. This is driven by over two decades of processing petabytes of structured telemetry, combined with industry-leading threat intelligence in a closed-loop system that compounds across thousands of customer environments every day. Frontier models are powerful and accelerate attack path analysis and triage; however, they need to be paired with a highly reliable control plane to consistently enforce accurate policy and compliance outcomes across live hybrid environments. This is where the value proposition for Qualys customers lives, and it requires deterministic, auditable, repeatable, and trusted execution with effectively zero tolerance for error. With attacks moving at machine speed and increasingly requiring defenses that learn and respond in real time, closed-loop, agent-to-agent orchestration, governed by policy, and harnessed by flexible model choice act as a force multiplier, further enabling precise risk quantification, safe remediation, and even faster and more deterministic outcomes at scale. For Qualys, this means our massive data context, LLM and SLM integrations, and trusted execution serve as the system of record for pre-breach cyber risk management and translate AI into a packaged ROC automation platform that delivers customers measurable risk reduction, zero day remediation, governed outcomes, and immediate ROI.

With that, I'll turn the call over to Joo Mi to further discuss our first-quarter results and outlook for the second quarter and full year 2026.

Joo Mi Kim, Chief Financial Officer

Thanks, Sumedh, and good afternoon. Before I start, I'd like to note that, except for revenues, all financial figures are non-GAAP, and growth rates are based on comparisons to the prior year period, unless stated otherwise.

Turning to first quarter results, revenues grew 10% to \$175.6 million. The channel continued to increase its contribution, making up 52% of total revenues compared to 49% a year ago.

Revenues from channel partners grew 17%, outpacing direct, which grew 3%. As a result of our strategic emphasis on leveraging our partner ecosystem to drive growth, we expect this trend to continue. By geo, 15% growth outside the US was ahead of our domestic business, which grew 6%. US and international revenue mix was 55% and 45%, respectively.

In Q1, as expected, there was no meaningful movement in our net dollar expansion rate, closing the quarter at 104%, slightly up from 103% last quarter. More importantly, we'd like to turn to a new metric that we plan to disclose going forward on a quarterly basis: net dollar expansion rate of customers with prior year purchase of ETM or CSAM subscriptions. We believe that this metric is currently the best indicator of success of our ETM strategic initiatives. With ETM innovation having stemmed from strong customer demand, we anticipate ETM adoption to drive higher net dollar expansion rate. However, given that ETM adoption is still in its early stages, we have decided to include CSAM customers in this cohort so that the metric has more weight to it. In addition, as a reminder, ETM is essentially an upgrade from CSAM so we believe this is an appropriate baseline to track and measure going forward. In Q1, the net dollar expansion rate of ETM/CSAM cohort was 107%. As more customers move into this cohort, we hope to see consistent and meaningful improvement to our overall net dollar expansion rate and thereby driving accelerated revenue growth.

Moving on to product mix, our differentiated new products continued to drive growth. First, ETM/CSAM combined made up 11% of total bookings and 14% of new bookings on an LTM basis in Q1, up from last year's 8% and 9%, respectively. Next, Patch Management made up 8% of total bookings and 15% of new bookings on an LTM basis in Q1. This compares to 7% and 16%, respectively in Q1 of last year. Lastly, TotalCloud made up 5% of total LTM bookings in Q1, unchanged from a year ago. We believe that these differentiated products combined will increase contribution to bookings in 2026, given our opportunity to increase market share and maximize share of wallet.

Reflecting our scalable and sustainable business model, adjusted EBITDA for the first quarter of 2026 was \$83.3 million, representing a 47% margin, same as last year's. Operating expenses in Q1 increased by 8% to \$67.5 million, driven by investments in Sales & Marketing, which grew 17%. With this strong performance, EPS for the first quarter of 2026 was \$1.95 per diluted share, and our free cash flow was \$93.6 million, representing a 53% margin, compared to 67% in the prior year. In Q1, we continued to invest the cash we generated from operations back into Qualys, including \$1.7 million on capital expenditures and \$53.9 million to repurchase 505 thousand of our outstanding shares. Since commencing our share repurchase program in February of 2018, we've repurchased 11.2 million shares and returned \$1.3 billion in cash to shareholders. As of the end of the quarter, we had \$306.6 million remaining in our share repurchase program.

With that, let us turn to guidance, starting with revenues: For the full year 2026, we now expect revenues to be in the range of \$721.0 to \$727.0 million, which represents a growth rate of 8% to 9%. This compares to prior guidance of \$717.0 to \$725.0 million. For the second quarter of 2026, we expect revenues to be in the range of \$177.5 to \$179.5 million, representing a growth rate of 8% to 9%. While we believe our approach to pre-breach cyber risk management provides some insulation amidst ongoing macro volatility, this guidance continues to assume no material change in our net dollar expansion rate, with moderate growth contribution from new business in 2026.

Shifting to profitability guidance, for the full year 2026, we expect EBITDA margin to be in the mid 40s, implying mid-teens increase in operating expenses, and free cash flow margin in the low 40s. We expect full year EPS to be in the range of \$7.44 to \$7.65, up from the prior range of \$7.17 to

\$7.45. For the second quarter of 2026, we expect EPS to be in the range of \$1.73 to \$1.80. Our planned capital expenditures in 2026 are expected to be in the range of \$8.0 to \$12.0 million; and, for the second quarter of 2026, in the range of \$1.2 to \$3.2 million.

As the impact of the macro economy is still unfolding, we are closely monitoring the business environment and adjusting our priorities accordingly. That said, considering the long-term growth opportunities ahead of us and our industry leading margins implying further room for investment, we intend to continue to responsibly align our product and marketing investments to focus on high impact initiatives aimed at driving more pipeline, accelerating our partner program, and expanding our federal vertical. As a percentage of revenues, we expect to prioritize an increase in investments in Sales & Marketing with more modest increases in engineering and G&A.

With that, Sumedh and I would be happy to answer any of your questions.