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Quantum Corp. (QMCO)

Q2 2026 Earnings Call

CORPORATE PARTICIPANTS

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Elle Niebuhr
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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, greetings, and welcome to the Quantum Corporation Second Quarter Fiscal 2026 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded for replay purposes.

It is now my pleasure to introduce your host Quantum's Vice President, Corporate Affairs, and Corporate Secretary, Tara Ilges. Please go ahead.

Tara Ilges

Vice President-Corporate Affairs & Corporate Secretary, Quantum Corp.

Good afternoon and thank you for joining today's conference call to discuss Quantum's second quarter fiscal 2026 financial results. With me on today's call are Hugues Meyrath, Quantum's CEO; and Laura Nash, Chief Accounting Officer. Following management's prepared remarks, we will open the call to questions from analysts.

Before we begin, I would like to remind you that comments made on today's call may include forward-looking statements. All statements other than statements of historical fact should be viewed as forward-looking, including any projections of revenue, margins, expenses, adjusted EBITDA, adjusted net income, cash flows or other financial operational or performance topics. These statements involve known and unknown risks and uncertainties that we refer to as risk factors. Risk factors may cause our actual results to differ materially from our forecast.

For more information, please refer to the detailed descriptions we provide about these and additional risk factors under the Risk Factors section in our 10-K and 10-Qs filed with the Securities and Exchange Commission. The company does not intend to update or alter forward-looking statements once they are issued, whether as a result of new information, future events or otherwise, except where required by applicable law.

Please note that today's press release and management statements during today's call will include certain financial information in GAAP and non-GAAP measures. We will include definitions and reconciliations of GAAP to non-GAAP items in our press release.

With that, it's my pleasure to turn the call over to Quantum CEO, Hugues Meyrath.

Hugues Meyrath

President, Chief Executive Officer & Director, Quantum Corp.

Thank you, Tara, and good afternoon, everyone. Thank you for joining us for our second quarter earnings conference call. As announced earlier this afternoon, we made solid progress during the quarter with revenue at the high-end of our guidance range, non-GAAP operating expenses $5 million lower from the prior quarter and positive adjusted EBITDA. These results demonstrate the initial benefits of the restructuring we implemented in June. Although there is still more work to be done, I believe this puts the company on the right track and sets the stage for continued progress in the quarters ahead.

Also notable during the quarter, we reached a key milestone toward our goal of becoming debt free by entering into a definitive agreement with Dialectic to convert approximately $52 million in term debt to senior secured convertible notes subject to shareholder approval. At the same time, we also eliminated the existing leverage and minimum liquidity requirements and agreed the $15 million of proceeds from our Standby Equity Purchase Agreement can be used for additional working capital if required.

This important milestone in our financial transformation provides increased financial flexibility to execute on our operating initiatives and revitalized go-to-market strategy. To underscore this point, I can confidently say that this is the best financial position that Quantum has been in for some time. Assuming we receive shareholder approval for the prior referenced debt exchange, the company will have eliminated $140 million in total debt from the balance sheet since the peak debt in 2020.

As I discussed last quarter, since taking on the CEO role, I focused on building a leadership team and board of directors that combine deep market expertise with operational excellence. Most recently, we added Geoff Barrall as Chief Product Officer, who is a highly respected technology innovator and leader with a decades long track record across the enterprise storage industry. He founded BlueArc, served as CTO of Hitachi Vantara and most recently was CPO at Index Engines, where he led product and engineering strategies that shaped several category-defining storage and data management platforms.

At Quantum, Geoff is conducting a comprehensive review of our product portfolio and pipeline, identifying along with sales where we can deliver the greatest value, sharpen roadmap priorities and align engineering investments directly with customer needs and market opportunities. His leadership is ensuring that our innovation engine is tightly focused on the solutions and use cases where Quantum can lead and win. This alignment across products, sales, and customer success is already fostering a faster, more data-driven decision cycle, one that's anchored in real world customer feedback and measurable return on investment.

As part of our revitalized go-to-market strategy, our CRO and I met with more than 60 customers and partners this quarter. What this confirmed is that Quantum has a very loyal customer and partner installed base, as well as a very solid sales team. Our customers believe in the value we provide and they want us to succeed.

Regionally, we're seeing strong execution across the globe. EMEA continues to execute and perform well. APAC revenue more than doubled quarter-over-quarter, following our shift to a new distribution model. As a reminder, we nominated new exclusive distributors after ending our relationship with Quantum Storage Asia, also known as QSA. QSA is an unrelated and unaffiliated entity and is not authorized to use our name, sell our products or sell our support. Under Gregg Pugmire's leadership, the Americas business rebounded and outperformed other regions, reflecting the tighter structure and coordination between inside and field sales teams.

I would also like to point out that we closed the quarter with one of largest backlogs in recent history, over $25 million compared to our historical target range of $8 million to $10 million, underscoring strong sales traction and customer confidence.

Ultimately, our focus remains on the customer experience, aligning more deeply with trusted long-term partners to deliver transformative data solutions at scale across industries and borders.

One of the most meaningful proof points this quarter was winning the Library of Congress 100-year archive project. After a rigorous two-year evaluation, they moved away from a competing platform and selected Quantum's ActiveScale Cold Storage and Scalar i7 RAPTOR to preserve the nation's most valuable digital archives for generations to come.

This wasn't just a competitive win. It was validation of the architecture we've been building. ActiveScale is unlike anything else on the market. It's an end-to-end object storage platform with intelligent tiering across flash, disk and tape, so customers can get the right performance at the right cost as data ages from hot to cold. Our patented two-dimensional erasure coding delivers a high level of durability, efficiency and cyber resilience that traditional object stores can't match, which is exactly why an organization like the Library of Congress chose Quantum.

Scalar i7 RAPTOR is the backbone of the solution. It's the industry's densest tape system, delivering up to 200% more capacity per rack, outstanding power efficiency, and an automated cyber resilient architecture. It's built for true hyperscale archiving, and customers see that. It recently achieved Veeam Ready status and won Best of Show at IBC, Europe's largest media and entertainment conference, reaffirming our leadership in secure, high-density storage for markets like government, research, and media.

And we're building on that leadership. Last week, we introduced new capabilities in ActiveScale that fundamentally changed what cold data can do. With the industry's first Ranged Restore and more than five times faster access to small objects, customers can now pull back only the data they need instead of rehydrating entire files. That means long-term archives and AI data lakes can behave like active query-ready datasets. Cold data becomes live data, instantly usable for AI training, inference, analytics, compliance, you name it. No other vendor can do that.

On the innovation front, I also want to highlight our strategic partnership with Entanglement. They chose Quantum as the storage fabric for their next generation AI and HPC data centers. The future of AI isn't just about faster compute. It's about secure, scalable, high durability data infrastructure that can feed those compute engines continuously and efficiently. Our solutions give them exactly that: tiered sovereign cyber resilient storage with the scale and performance that AI requires. Together, we're enabling a new class of regionalized AI infrastructure, one that brings compute to the data, protects the data with post-quantum encryption and supports massive AI and HPC workloads at scale. This partnership underscores something we're seeing across the market. The next era of AI depends on intelligent data platforms, and Quantum is becoming the platform of choice.

With that, let me turn the call over to Laura Nash, our Chief Accounting Officer, to review our second fiscal quarter results in more detail and our third fiscal quarter outlook.

Laura, please go ahead.

Laura A. Nash

Chief Accounting Officer, Quantum Corp.

Thank you, Hugues. Good afternoon to those joining us on the phone and webcast. I will provide an overview of the company's GAAP and non-GAAP financial results for our second fiscal quarter 2026 ended September 30, 2025. Before I begin, I would like to emphasize that all comparisons to financial figures in prior periods reflect the company's previous restatement of financial results, as well as certain revisions to material misstatements of published quarterly financial results for fiscal year 2025.

Revenue in the quarter was $62.7 million compared to $64.3 million in the first fiscal quarter of 2026 and $71.8 million in the prior year second quarter. We saw a notable increase in backlog to over $25 million at the end of the second quarter, which is significantly above our historical target run rate of $8 million to $10 million and has given us a strong start to our fiscal third quarter.

GAAP gross margin for the second quarter was 37.6% compared to 35.3% in the prior quarter and 42.7% in the fiscal second quarter of 2025. Although we still have more work to do in order to expand our gross margins back above 40%, the sequential improvement in the second quarter reflects the initial operating efficiencies from our restructured service organization.

GAAP operating expenses for the second quarter were $31.7 million, compared to $35.3 million in the prior quarter and $36.2 million in the year ago quarter.

Operating expenses on a non-GAAP basis for the second quarter were $24.8 million compared to $30 million in the fiscal first quarter of 2026 and $30.4 million in the year ago quarter. The $5.2 million sequential reduction in operating expenses and $5.6 million reduction from the year ago quarter primarily reflects the realized savings from a lowered cost structure following our most recent restructuring actions in the current fiscal year.

GAAP net loss for the fiscal second quarter was $46.5 million or a loss of ($3.49) per share compared to a net loss of $17.2 million or loss of ($1.87) per share in the previous quarter and a net loss of $12.2 million or a loss of ($2.54) per share in the year ago second quarter. The primary driver for the increase in our net loss was due to the most recent debt amendment to our term loan. As Hugues previously mentioned, this amendment provides us with covenant relief and access to proceeds from the standby equity purchase agreement for working capital. It was treated as a partial debt extinguishment for accounting purposes and resulted in a sizable non-cash loss, largely due to the issuance of the forbearance warrants. The warrants were recorded at a fair value of approximately $25 million and are liability classified, which will introduce some volatility into our GAAP earnings on a go forward basis as the warrant valuation is adjusted for our stock price at each reporting period.

Non-GAAP loss for the second quarter was $7.1 million or a loss of ($0.54) per share compared to a net loss of $14.5 million or loss of ($1.58) per share in the prior quarter and a net loss of $7.4 million or loss of ($1.54) per share in the same quarter a year ago. The improvement in non-GAAP net loss for the quarter reflects a combination of the improvement in gross margins and a significant reduction in operating expenses. While we continue to bear approximately $6 million of interest expense per quarter as we execute on our plans to become debt free, we will expect to benefit from the reduced interest burden.

Adjusted EBITDA for the second quarter improved sequentially to a positive $0.5 million from a negative $6.5 million in the first fiscal quarter of 2026 and compared to a positive $1.1 million in the prior year quarter. The achievement of positive adjusted EBITDA above our expectations of approximately breakeven for the fiscal second quarter was primarily driven by the execution of our restructuring initiatives that significantly lowered our cost structure over the prior quarter.

Turning to an overview of debt and liquidity at quarter-end. Cash, cash equivalents and restricted cash at the end of the fiscal second quarter were approximately $15.3 million. Total outstanding term debt at quarter end was $106.1 million, and the company's net debt position was approximately $90.8 million. As Hugues previously mentioned, in late September, the company announced a definitive agreement to restructure approximately $52 million of outstanding term debt held by Dialectic for senior secured convertible notes, which is subject to shareholder approval. Upon closing, the proposed debt exchange transaction will meaningfully reduce the company's future outstanding debt and interest expense, while also increasing our overall liquidity and financial flexibility.

Turning to the company's outlook for the fiscal third quarter of 2026. Revenue for the third quarter is expected to be approximately $67 million, plus or minus $2 million. We expect the third quarter non-GAAP operating expenses to be approximately $25 million, plus or minus $2 million, reflecting the continued realized benefits from our most recent cost reduction actions. As a result, non-GAAP adjusted net loss per share for the fiscal third quarter is anticipated to be negative $0.51 plus or minus $0.10 per share based on an estimated 14 million shares outstanding. Adjusted EBITDA for the fiscal third quarter is expected to be positive $1 million, plus or minus $1 million.

With that, I'll now hand the call back to Hugues.

Hugues Meyrath

President, Chief Executive Officer & Director, Quantum Corp.

Thank you, Laura.

In closing, the second fiscal quarter marked a pivotal step forward for Quantum, with initial evidence of progress from the restructuring actions we've taken combined with tangible proof points resulting from our refreshed leadership and reinvigorated sales team. We've fortified our financial foundation by significantly reducing operating expenses, added liquidity by raising additional capital, and proposed a transformative debt exchange to decrease our outstanding debt by 50%. With renewed customer loyalty, a re-energized team and sharpened go-to-market strategy, Quantum is poised for growing momentum and value creation in the quarters ahead.

With that, I'll now turn the call to the operator for the Q&A session.

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] We take the first question from the line of Elle Niebuhr from Lake Street Capital Markets. Please go ahead.

Elle Niebuhr
Analyst, Lake Street Capital Markets, LLC Q

Hey, guys, this is Elle on for Eric Martinuzzi. I was just wondering if you could give a little more color on your pipeline build. So given the new senior sales additions, what is the current health of the North American pipeline? And then are there any new lead development processes implemented recently?

Hugues Meyrath
President, Chief Executive Officer & Director, Quantum Corp. A

Yeah, I can touch base on that. The pipeline is actually pretty good. As we mentioned, we have record backlog in the $25 million range. It's really a bit all over the place, all over the product line from from tape, tape media, and DXi has a pretty solid pipeline as well. And StorNext like it's pretty much across the board. So not specific issues in the pipeline right now. I think the changes in the sales force have been really impactful. The team is very energized and frankly, we see our three geographical teams competing with each other, which is great. So, it's a very positive dynamic.

With regards to lead generation, we actually are changing the lead generation program and trying to focus on qualifying leads down to opportunities and pass some of those to our channel partners. So, it's part of our way to reinvigorate the channel. It's not focused just on leads but just to try to qualify them as far as we can to the finish line before we hand it over to our partners. So, I'm really pleased with the progress so far.

Elle Niebuhr
Analyst, Lake Street Capital Markets, LLC Q

Awesome. Good to hear. And then one more for me just going off of product R&D. What are your development priorities for the DXi backup appliances, the Scalar tape libraries and the StorNext file management software?

Hugues Meyrath
President, Chief Executive Officer & Director, Quantum Corp. A

Yeah, I mean, good question. I mean, we have a lot of products in the portfolio. I think from a tape library perspective with i7 launching, we feel like our focus right now is scaling manufacturing and we're really in the finished touches of the product, right. So, it's about trying to build and sell as many of those as possible. And that's kind of the phase we're in. And this can be a really big product for us. ActiveScale cold storage and ActiveScale in general has its own dedicated team. There was a press release yesterday with the Ranged Restore and we talked about it during the call. So they're on the path of continuing to improve and specifically for us to winning combos having objects store focused on cold storage and whatever we can build that's differentiated because it's the combo of ActiveScale and the tape libraries together that make a killer combo right now in the market, but it's their own team, so we don't really have to prioritize that versus something else.

StorNext, we have a new Chief Product Officer, Geoff Barrall, StorNext is super important to us. So, we're in the midst of rejiggering the roadmap on StorNext and as we talked in the prior calls, it's a very important product for us. We have a huge installed base. We're getting a lot of feedback daily from our customers as to what they need. So, we're realigning resources to focus on that and make sure we put more energy into our core StorNext customers.

With regards to the DXi, I think it's a product again like in good share with its own separate development team. So, our focus right now on DXi really is about lead generation, conversion to opportunities and really scaling sales on the DXi side of things.

Elle Niebuhr Q
Analyst, Lake Street Capital Markets, LLC

Awesome. Good to hear. I will hop back in queue. Thank you.

Hugues Meyrath A
President, Chief Executive Officer & Director, Quantum Corp.

Thank you.

Operator: Thank you. We take the next question from the line of Nehal Chokshi from Northland Capital Markets. Please go ahead.

Nehal Chokshi Q
Analyst, Northland Securities, Inc.

Thank you. That backlog number is jaw dropping. Congratulations. That's amazing. So, let's talk about that backlog. Let's frame this up in terms of bookings. Well, first, before we do that, that backlog is just product or is that product plus booked services as well?

Laura A. Nash A
Chief Accounting Officer, Quantum Corp.

Hi, it's Laura here. Hi Nehal. Thank you for your question. So, the backlog is product.

Nehal Chokshi Q
Analyst, Northland Securities, Inc.

Product-only. And therefore, product bookings would have to be up. Sorry, just give me a second. The product bookings were up 28% year-over-year, at least. Is that correct?

Laura A. Nash A
Chief Accounting Officer, Quantum Corp.

So I think – and Hugues can add in here, I think what we're seeing is the sales team was really executing well towards the end of the quarter and we're seeing a kind of a significant effort to drive the revenue linearity that I know we've discussed previously to make sure that we can start to get kind of a more linear revenue and invoicing pattern. So, Hugues I don't know if you have anything further to add there.

Hugues Meyrath A
President, Chief Executive Officer & Director, Quantum Corp.

Yeah, I don't have on top of my mind what the number was a year ago but from a mix, there was a very strong mix across the product as well. And we definitely have a little bit of manufacturing limitations in terms of our ability to ship the low-end tape libraries. So, there's a bit of that. You have some hyperscaler demand in there. And with the new sales team in place, a lot of people have been closing a lot of deals late in the quarter. And we do not have the ability to ship them this quarter so that backlog is going to be useful as we enter the next quarter, the current quarter.

Nehal Chokshi
Analyst, Northland Securities, Inc.

Q

Got it. And is there a significant customer concentration in the backlog?

Hugues Meyrath
President, Chief Executive Officer & Director, Quantum Corp.

A

Sorry, I didn't hear the question. Do you mind repeating?

Nehal Chokshi
Analyst, Northland Securities, Inc.

Q

Of that $25 million product backlog, is there significant customer concentration, especially given that there's some hyperscaler there? I mean, is there like...

Nehal Chokshi
Analyst, Northland Securities, Inc.

Q

...50-plus percent of that backlog to one customer or anything like that?

Hugues Meyrath
President, Chief Executive Officer & Director, Quantum Corp.

A

No, it's not specifically to one hyperscaler. It's not, it's fairly...

Nehal Chokshi
Analyst, Northland Securities, Inc.

Q

Okay.

Hugues Meyrath
President, Chief Executive Officer & Director, Quantum Corp.

A

...it's blended across products. There is a little bit from one hyperscaler, but not in a meaningful way that this would skew us off.

Nehal Chokshi
Analyst, Northland Securities, Inc.

Q

Did that Library of Congress one go into backlog? Or is that – was that recognized into revenue within the quarter?

Hugues Meyrath
President, Chief Executive Officer & Director, Quantum Corp.

A

It's in backlog.

Nehal Chokshi
Analyst, Northland Securities, Inc.

Q

It's in backlog. Okay. Would that be potentially large installment within your backlog then?

Hugues Meyrath
President, Chief Executive Officer & Director, Quantum Corp.
A

Do you mean, Library of Congress is a – go ahead Laura.

Laura A. Nash
Chief Accounting Officer, Quantum Corp.
A

I'm going to say, yes. So, there is a mix of customers, geographies and product types within that. Library of Congress is one component, but not necessarily the largest component.

Nehal Chokshi
Analyst, Northland Securities, Inc.
Q

Okay. All right. So, the bottom line here is that you are seeing significant product momentum. And it sounds like you're attributing this to the changes in the organization that you brought to the table. Is that correct?

Hugues Meyrath
President, Chief Executive Officer & Director, Quantum Corp.
A

I think it's certainly a component that sales has been executing extremely well for sure. I mean, between the beginning of the quarter and the last day of the quarter, we've seen a change in sales momentum, sales culture where we did accelerated bookings throughout the quarter, and they've continued to close deals like the first month of this quarter as well. So, I think it's a good sign from a recovery perspective. Past that, I think, it's an endurance phase, right. We have to deliver quarter after quarter. And I think they do have that mindset. So, but it's definitely a feel good moment for the sales team.

Nehal Chokshi
Analyst, Northland Securities, Inc.
Q

Okay. And don't you guys have a significant federal vertical exposure.

Hugues Meyrath
President, Chief Executive Officer & Director, Quantum Corp.
A

So, we do have some federal business as well. I would say it's probably understaffed, and in an area where we need to put more heads and to go back and grow that business.

Nehal Chokshi
Analyst, Northland Securities, Inc.
Q

Okay, but the government shutdown did not impact that portion of the business there, it sounds like.

Hugues Meyrath
President, Chief Executive Officer & Director, Quantum Corp.
A

Yeah. I mean, not significantly but I think now we have to go back and close some of those deals, right so. But fortunately we're back on track there.

Nehal Chokshi
Analyst, Northland Securities, Inc.
Q

Okay. And then just given this significant product bookings backlog here, I mean, your $65 million implies that your product revenue would still be down year-over-year. Just walk us through the logic on why you're guiding that way, given the significant bookings momentum that you saw through the September quarter and through the first month, first 1.5 months of the December quarter.

Hugues Meyrath
President, Chief Executive Officer & Director, Quantum Corp.

A

So, you're asking why we're guiding so low in the next – in the current quarter?

Nehal Chokshi
Analyst, Northland Securities, Inc.

Q

I mean does that imply that you're kind of expecting a big fall off in bookings momentum. Is that what you're implying or no? That's the question.

Hugues Meyrath
President, Chief Executive Officer & Director, Quantum Corp.

A

Yeah. Look, I mean, there are couple of challenges we still have that I'm not 100% comfortable with, right. We definitely had a huge spike in bookings. Like I said, some endurance phase. And it's the first quarter as CEO and it's the first quarter for our CRO, it's the first quarter for North America VP, I think we did great. But we have to continue to close and it was an impressive rate, the sample of 3 months to 4 months, right. So. I think fundamentally, there's nothing to indicate that they can't continue to execute on that. But we definitely want to make sure that we provide like, we're on solid footing as we move forward and don't overpromise.

I do think from a supply chain perspective we still have some challenges, most of them are associated with the manufacturing of the tape libraries. I think we left money on the table specifically in the lower- to mid-range market in tape libraries because of our inability to manufacture and ship fast enough.

And I think that challenge expands a little bit to even the higher end of the tape libraries, I think, our transition to Avnet is not fully complete. And that caused a little bit of a pause as to how we can modify some of those bookings in the current quarter.

Nehal Chokshi
Analyst, Northland Securities, Inc.

Q

Okay. Got it. That's helpful. Final question for me, product gross margin. While gross margin did improve sequentially overall, Laura, as you know, that's because of basically cost take outs in the service organization. When we look at the product gross margin, it's still down like 500-plus basis points year-over-year. Can you put a narrative behind why that is and do you expect improvements on that product gross margin, and if so, why?

Hugues Meyrath
President, Chief Executive Officer & Director, Quantum Corp.

A

Yeah. I mean, I can give you a macro reason first before we go into the details, but the biggest issue we have is we have too many SKUs, we have too many platforms, and there's tightness in many of the platforms we have from a supply perspective. Prices are going up on some of the servers. Some platforms have like aging DDR4 in there, which is tight. So, I think there's the – in general, the supply chain is tight across the board from a cost perspective and quite not super consistent from a pricing perspective. And I think that's kind of something we need to work through. We are focusing on reducing platforms and figure out who the optimum partner is for us and how we streamline our supply chain so that we can deliver more consistent margins forward. It's something that takes, though, like a two quarters or three quarters to get through, but definitely, definitely a good message. And I think there's a lot of tightness on supply chain that affects the cost.

Nehal Chokshi
Analyst, Northland Securities, Inc.

Q

Okay. Great. Thanks for taking my questions.

Operator: Thank you. [Operator Instructions] As there are no further questions, we conclude today's conference call of Quantum Corporation. Thank you for your participation. You may now disconnect your lines.