04-Nov-2026

Fastly, Inc. (FSLY)

Q3 2026 Earnings Call

Copyright © 2001-2026 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

Vernon P. Essi
Vice President-Investor Relations, Fastly, Inc.

Kip Compton
Chief Executive Officer & Director, Fastly, Inc.

Richard Wong
Chief Financial Officer, Fastly, Inc.

OTHER PARTICIPANTS

Aidan Daniels
Analyst, KeyBanc Capital Markets, Inc.

Param Singh
Analyst, Oppenheimer & Co., Inc.

Fatima Boolani
Analyst, Citigroup Global Markets, Inc.

Frank G. Louthan
Analyst, Raymond James & Associates, Inc.

Peter Levine
Analyst, Evercore Group LLC

Rudy Kessinger
Analyst, D.A. Davidson & Co.

Daniel Hibshman
Analyst, Craig-Hallum Capital Group LLC

Timothy Shubsda
Analyst, Piper Sandler & Co.

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is Michelle, and I will be your conference operator today. At this time, I would like to welcome everyone to the Fastly Third Quarter 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. Please be advised today's conference is being recorded.

I would now like to turn the conference over to Vern Essi, Investor Relations at Fastly. Sir, please go ahead.

Vernon P. Essi

Vice President-Investor Relations, Fastly, Inc.

Thank you. And welcome, everyone, to our third quarter 2026 earnings conference call. We have Fastly's CEO, Kip Compton; and CFO, Rich Wong with us today. The webcast of this call can be accessed through our website, fastly.com, and will be archived for one quarter. A copy of today's earnings press release, related financial tables and supplements, all of which are furnished in our 8-K filing today, can be found in the Investor Relations portion of Fastly's website, along with the investor presentation.

During this call, we will make forward-looking statements, including statements related to the expected performance of our business, future financial results, product and services, sales and growth, strategy, long-term growth and overall future prospects. These statements are subject to known and unknown risks, uncertainties and assumptions that could cause actual results to differ materially from those projected or implied during the call.

Copyright © 2001-2026 FactSet CallStreet, LLC

For further information regarding risk factors for our business, please refer to our filings with the SEC, including our most recent Annual Report filed on Form 10-K and Quarterly Reports filed in Form 10-Q filed with the SEC, and our third quarter 2026 earnings press release and supplement for discussion of the factors that could cause our results to differ. Please refer in particular to the sections entitled Risk Factors. We encourage you to read these documents. Also note that the forward-looking statements on this call are based on information available to us as of today's date. We undertake no obligation to update any forward-looking statements except as required by law.

Also during this call, we will discuss certain non-GAAP financial measures and certain key performance indicators. Unless otherwise noted, all numbers we discuss today, other than revenue, will be on an adjusted non-GAAP basis. We do not provide reconciliations of forward-looking non-GAAP measures because quantitative reconciling of information for these measures is unavailable without unreasonable effort. Reconciliations to the most directly comparable GAAP financial measures are provided in the earnings release and supplement in our Investor Relations website and filed with the SEC. These non-GAAP measures are not intended to be a substitute for our GAAP results.

Before we begin our prepared comments, please note that during the fourth quarter we will be attending the RBC 2026 Global TIMT Conference in New York on November 17, the UBS 30th Annual Global Technology and AI Conference in Scottsdale on December 2, and the Wells Fargo 10th Annual TMT Summit in Rancho Palos Verdes on December 8.

Now, I'll turn the call over to Kip.

Kip Compton

Chief Executive Officer & Director, Fastly, Inc.

Good afternoon, everyone, and thank you for joining us. Fastly delivered another strong quarter with record revenue, operating income and free cash flow. Q3 revenue was $190.2 million, up 20% year-over-year and above the high-end of our guidance. Operating income was $31.2 million for an operating margin of 16.4%. Gross margin was 65.8%, matching record levels. This is our fifth consecutive quarter of operating profit and our seventh consecutive quarter of positive free cash flow. Trailing 12-month net retention rate rose to 119%, and we continue to see customers expanding across their platform and driving more revenue.

Today, I'll cover what's driving these positive results. Our customers are growing with us. We're delivering outcomes that matter most to them and we're building for AI scale. I will also share details of our planned transition and our go-to-market leadership in the year ahead. Customers come to us with business problems, traffic they can't afford to drop, an attack they need to stop, or a wave of AI agents they need to govern. The breadth of our platform and relationships built on trust allow us to solve those challenges and that's how we grow with our customers.

Customers increasing the value that they derive from the Fastly platform is a central driver of our financial performance and underpins our ability to create long-term value for you, our shareholders. As we continue to refine our operating metrics, multi-product adoption, along with incremental margin, will be key to how we evaluate our performance. In the third quarter, 74% of our large customers use two or more of our product suites, and 34% used four or more, up from 30% in the second quarter and more than three times the level we saw just two years ago. Customers who use more of our product suites see more value are stickier and spend more with us over time.

Copyright © 2001-2026 FactSet CallStreet, LLC

Our go-to-market transformation is a multifaceted strategy with investments aimed at driving growth across customer cohorts. Parts of it are already paying off. We have seen tremendous success with our largest customers, driving robust growth that, in turn, is powering our overall growth. Expanding the growth we are seeing with our largest customers to our other customer cohorts is our biggest near-term opportunity and a clear execution priority.

The other go-to-market investments that we have made, including our international expansion, strategic partnerships and marketing transformation, are progressing well and we expect them to have a larger impact over time.

Our customer wins this quarter show the strategy at work. Many span multiple product suites and highlight our platform's high performance. As AI use cases continue to accelerate, one of the world's leading AI companies signed a seven-figure commitment with Fastly to secure and scale its agentic traffic. Agents are central to its strategy. They chose Fastly to protect that mission critical work.

Our track record of delivering reliability and performance at scale continue to pay dividends when a major US media and entertainment company, home to leading news, sports and entertainment brands, selected Fastly to power live streaming across its digital properties.

We are also seeing significant success in unseating incumbent providers. One of the largest restaurant chains in the US replaced the legacy security vendor with Fastly to protect and accelerate its online checkout, and is already seeing critical performance and reliability metrics improve for its most important digital revenue stream.

Security and control are winning us business. A global online marketplace with tens of millions of members added Fastly delivery, WAF, and bot management, giving it network resilience, improved security posture and the transparency and control it wants over its network.

In the APJ region, our investments are producing results. A major Japanese apparel and lifestyle retail group moved to Fastly for delivery, security and bot management to optimize infrastructure costs, while maintaining performance and security. A leading Japanese streaming service chose Fastly to scale, while reducing infrastructure costs. And one of the world's largest consumer electronics makers is using Fastly to protect user privacy and deliver more reliable software updates as it launches AI services on its devices.

As the breadth of our platform expands, we are also building new routes to market through strategic partnerships. A digital experience platform company that runs websites, customer portals and intranets is building Fastly's delivery, WAF, bot management and DDoS protection into its platform through a managed service provider partnership, expanding our reach to critical new customers.

In September, we announced an industry-first deployment in partnership with Comcast. It puts Fastly's entire platform, including security and compute inside Comcast's network to deliver content and applications closer to users. Uniquely, we've integrated Fastly's software directly into Comcast's networking elements, delivering high capacity and performance. For customers, it means lower latency and faster downloads, even when millions are streaming at once. For Comcast, it means delivering a new level of speed, reliability and quality. And for Fastly, it adds capacity close to end users and serves as the foundation for latency-sensitive applications from online gaming to emerging AI services. We look forward to adding more network partners and deployment models in the coming quarters.

Copyright © 2001-2026 FactSet CallStreet, LLC

We're also investing for what's next. As enterprise AI shifts from experimentation to business-critical production, the focus turns to leveraging AI at scale. AI use cases on Fastly are showing up across our network in more ways from agents interacting with our customers' application, to code generation, model distribution, and content authenticity. In Q3, we expanded the Fastly for AI portfolio beyond capabilities like bot management and next-gen WAF. We announced new innovations, including AI runtime control, to govern AI access and usage, AI firewall to protect AI applications, and expanded API security to control how AI agents access enterprise applications and websites. We built these solutions with our customer design partners who helped shape what we shipped. We'll keep working closely with customers as their challenges evolve.

This quarter also shows progress on three priorities, increasing product velocity, transforming our go-to-market motion, and driving profitable growth with record revenue, operating income and free cash flow. I'm proud of this team, grateful for the trust our customers place in us and as optimistic as ever about the future of Fastly.

Before I hand it over to Rich, I want to share our leadership update. Scott Lovett, President, Go-to-Market, plans to retire next year. Together, Scott and I will lead a broad search for our new Chief Revenue Officer. And Scott will continue to run the go-to-market organization during the transition. Since joining Fastly in 2024, Scott has transformed how we sell. He brought executive selling and true customer partnerships to our largest accounts, aligned our sales motion and conversation around the platform, and expanded our presence in APJ. He also built a seasoned leadership team across sales, marketing, channel and customer success. That strength and our strategy are not changing. Scott's leadership through the transition gives us time to find the right leader for the next phase of our go-to-market transformation with continuity for our customers and our teams. On behalf of the entire Fastly team, Scott, thank you.

And now, I'll hand it over to Rich, who will take you through our results and our outlook. Rich?

Richard Wong

Chief Financial Officer, Fastly, Inc.

Thank you, Kip. And thank you, everyone, for joining us today. Before I review our detailed financial results, I want to emphasize that Q3 demonstrated the strength of our underlying business model that Kip and I discussed at our first earnings call together a year ago, and highlighted again at our Investor Day back in September.

We delivered durable revenue growth of 20% or more for four consecutive quarters, while driving meaningful operating leverage across our expense base. Q3 was also our fifth consecutive quarter of non-GAAP operating profit and our seventh consecutive quarter of positive free cash flow.

Now, onto the specifics of Q3 results. I'd like to remind you that unless otherwise stated, all financial results in my discussion are on a non-GAAP basis. Revenue for the third quarter increased 20% year-over-year to $190.2 million, above the high-end of our guidance range of $184 million to $190 million. This result was a record high for Fastly, and as I mentioned, the fourth consecutive quarter of 20% or more year-on-year revenue growth.

The revenue strength in the quarter was driven by continued success in our go-to-market upsell and cross-sell motions as we see customers adopt more product suites within our platform. The upside was driven by better-than-anticipated traffic at some of our larger customers and continued success with our security products.

At Investor Day, we highlighted our shift toward a single unified edge platform with six main product suites. Beginning in 2027, we're aligning our financial metrics to match that strategy by transitioning from three separate revenue lines – Network Services, Security and other – down to one consolidated revenue line. To give investors full visibility into platform adoption, we're introducing a new reporting metric, multiproduct adoption. This metric

Copyright © 2001-2026 FactSet CallStreet, LLC

measures the percentage of large customers adopting two or more product suites and those adopting four or more product suites.

In the third quarter, 74% of our large customers adopted two or more product suites, up 7 percentage points year-over-year and up 2 percentage points quarter-over-quarter. More importantly, 34% of our large customers have now adopted four or more product suites, up from 30% in the second quarter and more than three times the level we saw just two years ago. For more information on multiproduct adoption, including a description of the product suites and historical trend view of this data, please refer to our investor presentation and supplement on our IR website.

I will now review our prior three revenue line reporting. In the third quarter, Network Services revenue of $138 million grew 16% year-over-year. Security revenue was $44.7 million, which represented growth of 32% year-over-year and represented 24% of revenue. Recall that our Security revenue growth faced tougher year-over-year comps as it was impacted by a large security event with a top 10 customer in the third quarter of 2025. However, on a sequential basis, Security revenue has demonstrated growth in excess of 7% for every quarter in 2026. Our other products revenue of $7.4 million grew 37% year-over-year. We will report these three revenue lines one final time for the fourth quarter of 2026 before retiring them in favor of our streamlined single revenue structure and multiproduct adoption metrics.

In the third quarter, our top 10 customers represented 39% of revenue in moderate increase from 37% in the second quarter. Revenues from our top 10 customers grew 46% year-over-year. Revenue from our customers outside of our top 10 grew 8% year-over-year. Also, no single entity accounted for 10% of revenue in third quarter. Our group of entities under common control as a single customer accounted for 12% of the company's revenue for the quarter. Our large customer count, which represents customers with more than $100,000 in annualized revenue in the quarter, was 634 customers.

Our trailing 12-month net retention rate was 119%, up from 117% in the prior quarter and up from 106% in the year ago quarter. This marks Fastly's sixth consecutive quarter of NRR expansion. The quarter-over-quarter and year-over-year increases were due to revenue increases in our larger customers as they expand their use of our platform.

We exited the third quarter with RPO of $334 million, growing 24% year-over-year. The current portion of RPO was 81% of total RPO and grew 31% year-over-year. We believe improvements in our go-to-market motion have contributed to year-over-year RPO growth, though RPO will fluctuate quarter to quarter with the timing of large renewals. Given this variability, we continue to encourage investors to focus on our current RPO, which gives a more accurate indication of our revenue visibility and year-over-year progress.

I will now turn to the rest of our financial results for the third quarter. Our gross margin was 65.8% in the third quarter, matching our record high for Fastly. Gross margin was 80 basis points above our guidance midpoint of 65%, and up 300 basis points from 62.8% in Q3 2025. Our gross margin performance is driven by revenue scale relative to our cost effective software defined infrastructure. Combined with our continued financial discipline in our cost of revenue, we believe our gross margins are sustainable at these levels. This is further substantiated by our incremental gross margin flow through on a trailing 12-month basis increasing to 93% in the third quarter, up from 58% a year ago.

Operating expenses were $94 million in the third quarter, coming in better than anticipated due to disciplined expense management and a non-recurring tax benefit of $1.5 million that favorably impacted operating expenses. We had operating income of $31.2 million in the third quarter, exceeding the high end of our operating income

Copyright © 2001-2026 FactSet CallStreet, LLC

guidance range of $20 million to $24 million. As mentioned, this upside was a combination of higher revenue and resulting gross profit flow through as well as less-than-anticipated operating expenses.

We believe this reflects the inherent operating leverage in our business model. This is demonstrated by our operating margin expanding from 7% in the third quarter of last year to 16% this quarter, expansion of approximately 900 basis points year-over-year. This is underscored by our incremental operating margin flow through of 79% of revenue on a trailing 12 month basis, significantly above our long-term target of 30% to 40%.

In the third quarter, we reported a net profit of $31.6 million or $0.17 per diluted share compared to a net profit of $11.1 million or $0.07 per deluded share in Q3 2025. Our adjusted EBITDA was $43.5 million or 23% of revenues in the third quarter, compared to $25.7 million or 16% of revenues in the third quarter of 2025.

Turning to the balance sheet, we ended the quarter with approximately $365 million in cash, cash equivalents, marketable securities and investments, including those classified as long term, a sequential increase of $28 million over Q2 2026. We also ended the quarter with a positive net cash balance of $41 million compared to $5 million one year ago.

Our cash flow from operations was positive $40 million in the third quarter compared to positive $29 million in Q3 2025. Our free cash flow for the third quarter was positive $25 million, representing our seventh consecutive quarter of positive free cash flow. Our infrastructure capital expenditures were approximately 6% of revenue in the third quarter. As we discussed in prior quarters, we frontloaded our 2026 CapEx to ensure we have adequate equipment, given supply chain constraints. We anticipate our CapEx spend will remain at a lower level in the fourth quarter, as I will discuss in a moment.

In closing, the results from our first nine months reflect disciplined execution and expanding platform reach. We believe this strengthens our underlying financial model and reinforces our conviction in our 2026 and longer term goals.

I will now discuss our outlook for the fourth quarter and full year 2026. I'd like to remind everyone again that the following statements are based on current expectations as of today and include forward-looking statements. Actual results may differ materially, and we undertake no obligation to update these forward-looking statements in the future except as required by law. Our revenue model is primarily based on customer consumption, which can lead to variability in our quarterly results. Our revenue guidance reflects these dynamics in our business and is based on the visibility that we have today.

Customers who trust us with one business problem bring us the next. That's the engine behind our platform strategy which, as Kip discussed, is foundational to our success. Over time, we expect this to mean deeper relationships and a more durable revenue model. The strategy is working and it gives an added assurance in the opportunity ahead.

In the fourth quarter, we expect revenue in the range of $198 million to $202 million, representing 16% annual growth at the midpoint. We anticipate our gross margins for the fourth quarter will be 65.5% plus or minus 50 basis points. As a reminder, our gross margins performance is highly dependent upon incremental revenue increases or decline relative to our infrastructure costs. We anticipate OpEx to increase mid-single-digit millions on a sequential basis due to increased go-to-market spend on incentive and seasonal marketing activities as well as increased IT spend. As I mentioned earlier, we incurred a $1.5 million non-recurring tax benefit in the third quarter.

Copyright © 2001-2026 FactSet CallStreet, LLC

For the fourth quarter, we expect a non-GAAP operating profit of $30 million to $34 million, reflecting an operating margin of 16% at the midpoint. We expect a non-GAAP net earnings per deluded share of $0.16 to $0.18. For calendar year 2026, we are raising our revenue guidance to a range of $744 million to $748 million, reflecting annual growth of 20% at the midpoint. We anticipate our 2026 gross margins will be 65.5% plus or minus 50 basis points.

We are increasing our non-GAAP operating profit expectations to a range of $107 million to $111 million, reflecting an operating margin of 15% at the midpoint and highlighting our improved profitability compared to 2025's operating margin of 4%. We expect our non-GAAP net earnings per deluded share to be in the range of $0.61 to $0.63.

We continue to closely monitor supply chain dynamics, particularly regarding memory components, and have taken strategic actions at the end of 2025 and through the first half of 2026 to mitigate potential impact. Our software defined infrastructure is continuously improving, typically with lower capital requirements for expansion than legacy competitors. We are also implementing several component upgrades in our fleet to efficiently expand our capacity. This structural efficiency underpins our expanding gross margins, positioning us to stay ahead of global traffic trends, while maintaining strict capital discipline.

For 2026, we anticipate our infrastructure capital spend will be approximately 10% of revenue compared to our previous guidance range of 10% to 12% of revenue as we are at the tail end of our front loaded 2026 capacity expansion. We will continue to have a rigorous planning process to ensure that our capital investments align with demand. As a result, we are raising our 2026 free cash flow guidance in the range of $50 million to $60 million.

To recap, we're seeing continued evidence that disciplined execution and growing platform adoption are translating into stronger financial performance. We believe our refined strategy to focus on the power of our platform is working, and we are evaluating ways to better align our financial disclosures to our success. Before we open the line for questions, we'd like to thank you for your interest and your support in Fastly. Operator?

Copyright © 2001-2026 FactSet CallStreet, LLC

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question will come from the line of Jackson Ader with KeyBanc Capital Markets. Your line is open. Please go ahead.

Aidan Daniels
Analyst, KeyBanc Capital Markets, Inc.

Q

Hey. This is Aidan Daniels on for Jackson. Thanks for taking our questions. Last quarter, you talked about AI-driven traffic growing materially faster than human traffic. In this quarter, you landed a seven-figure deal to secure agentic traffic workloads. Could you maybe just walk us through just how agentic traffic shows up in the revenue for Fastly, maybe using this deal as an example? Are revenues solely showing up in security or also in more traditional CDN revenues I think as a function of bytes delivered?

And then just the follow-up on that is just, maybe is this template – is this maybe a template for additional deals you're seeing in the pipeline? Thanks, guys.

Kip Compton
Chief Executive Officer & Director, Fastly, Inc.

A

Yeah, thanks. Thanks for the question. I think there's a few ways that agentic traffic shows up in our revenue. Sometimes it's helping the agents and protecting their traffic. And that's what that deal that I mentioned in the prepared remarks was about. And that's certainly a source of revenue for us. And I would not be surprised, if we saw further interest in that from other AI companies.

Of course, you mentioned the Security side, that's right now a broader set of concerns with our broader customer base around managing the agents and the bots that are coming to their sites. And that drives some volume in our CDN business, although I think people in the industry have noted that actual amount of traffic related is relatively low, given that these are text-based things, but it also drives security revenue and AI bot detection, regular bot detection and things like our new AI runtime controller and AI firewall that we launched during the quarter.

Operator: Thank you. One moment for our next question. Our next question will come from the line of Param Singh with Oppenheimer & Co. Your line is open. Please go ahead.

Param Singh
Analyst, Oppenheimer & Co., Inc.

Q

Yeah. Hi. Thanks for taking my question. I want to kind of dive a little bit more into your go-to-market strategy. Obviously, losing Scott is a big loss, but, want to hear, think about how you want to address this in terms of bringing on an outside go-to-market leader or even kind of looking internally, and also how does your go-to-market change into the next year as more and more of the security portfolio begins to cross-sell into your customer base? Thank you.

Kip Compton
Chief Executive Officer & Director, Fastly, Inc.

A

Yeah. No, this is top of mind for us today with, sort of, Scott's retirement. Scott's been, obviously, foundational to the reinvigoration of our go-to-market engine over the last few years and has helped us drive to now I think four quarters of 20% or greater growth. So, we'll miss him. We're very happy, though, that he's going to be sticking

Copyright © 2001-2026 FactSet CallStreet, LLC

around for a while in the next year and helping us very much with this transition. He and I will be leading a search for his successor.

In terms of the search, we will be looking at internal candidates, Scott has built a strong team, as well as external candidates to make sure that we find the best leader for the next phase of our go-to-market transformation. You mentioned how are things change. I mean, security cross-sell, you're right, will continue. And as you've seen us launching additional security products like AI runtime control and AI firewall, those will continue to provide us with additional cross-sell opportunities. We also have a lot of momentum with our existing security products. We had a triple-digit growth again this last quarter in bot and DDoS.

I think the thing that will change will be just the progress we make on the investments we've already talked about. So whether it's strategic partnerships or whether our new CMO is doing on the marketing side or the international expansion of our go-to-market motion that we talked about, Scott will continue to drive those and those will be key priorities for his successor as well.

Param Singh
Analyst, Oppenheimer & Co., Inc.

Q

Thank you so much for all the color. Appreciate it.

Operator: Thank you. And one moment for our next question. Our next question will come from the line of Fatima Boolani with Citi. Your line is open. Please go ahead.

Fatima Boolani
Analyst, Citigroup Global Markets, Inc.

Q

Good afternoon. Thank you for taking my questions. My first question is for Kip. I was hoping you could opine on the PHP headlines that took over the news cycle a couple of weeks ago as it relates to server side or website vulnerabilities. How is the platform positioned to monetize some of these newer threats on the web security stack landscape? And how broadly would you characterize kind of pipeline and demand for the security portfolio in direct response to that?

And then, a follow-up for Rich. Just wondering if you can talk through some of the gating factors for the non-top 10 segment of the business. So, that's been decelerating, so just hoping you can put some finer points on why the momentum is trending in the opposite direction and what you can do to rehabilitate that, especially in the context of Scott's transition? Thank you.

Kip Compton
Chief Executive Officer & Director, Fastly, Inc.

A

Yeah. With respect to PHP2Shell, our hypothesis for a while it's been that the emergence of AI bringing accelerated vulnerability, discovery and exploitation would actually increase the value of security products, particularly like our next-gen WAF at the edge. That was our reaction earlier this year when Mythos came out and we've seen that a number of times and I think PHP2Shell is just the most recent example of that. Customers can use the next-gen WAF to virtually patch all of their components, because we can detect that exploit and block it, before it reaches their components. And that gives them time to remediate the different components in their estate. And that can take some time, especially if some of the things in their IP estate are older, patches may not be immediately available.

Copyright © 2001-2026 FactSet CallStreet, LLC

So, I don't know that I can point to specific demand specifically from the PHP2Shell exploit, but we do see it as an overall trend that reinforces the value of having sort of one control point like our next-gen WAF for customers to deal with this accelerated threat environment. I'll let Rich take your second question.

Richard Wong
Chief Financial Officer, Fastly, Inc.

A

Yeah, Fatima, thank you for that second question. So, I think the go-to-market transformation that Scott's done with the organization has been phenomenal. I mean, for 2025 and 2026, we were really focused on the largest customers and focusing on where we succeed, which is where performance matters. We basically have talked about the platform approach and cross-selling opportunities, and we've made a lot of progress on that. That said, the go-to-market transformation is still continuing. His focus right now has also been acquiring new customers.

We've mentioned on the prior earnings calls that we have a new CMO with Joan who started. Joan is very focused on top of funnel and expansion value for all customers. And we've also talked about our international expansion specifically in APAC and even the LATAM regions. And so, we're basically investing in that. These investments take – come out at different points in time. And so, I think that we should be seeing improvement on the non-top 10 to come.

Fatima Boolani
Analyst, Citigroup Global Markets, Inc.

Q

Thank you.

Operator: Thank you. And one moment for our next question. Our next question comes from the line of Frank Louthan with Raymond James & Associates. Your line is open. Please go ahead.

Frank G. Louthan
Analyst, Raymond James & Associates, Inc.

Q

Great. Thank you. For the new contract with the AI company, what kind of drove that that business to you? And I assume there's no sort of GPU commitment. But is there any CapEx involved with that?

And then I had a follow-up regarding some of the discussions around AI agents as a potential opportunity or threat, depending on where you are with subscription-based businesses and so forth. How do you play in that? Do you benefit that? Is it more on the delivery side or the security side of that play? Thanks.

Kip Compton
Chief Executive Officer & Director, Fastly, Inc.

A

No, great question. On the AI deal, no, you're correct in your assumption that GPUs are not required and there's no specific additional capital investment required. We've talked about in the past and this is another example of our unified platform. So, we have one network, one infrastructure that runs all of our services and that gives us the flexibility to onboard new workloads like this one without additional specific investments.

In terms of what drove them to work with us, I think with the combination of the quality of some of the security products that we could offer with – as often is the case, with our exceptional performance, where they really wanted to make sure that they had a high-performance solution. I mean, we're excited to be working with them on that.

Copyright © 2001-2026 FactSet CallStreet, LLC

On the threats to subscription models, it's an interesting phenomenon. I don't know that it – just to be clear, I don't think, Frank, you're suggesting this, but we don't see it as a threat to our subscription model. But we do see the consumer dynamics where agents can help people manage their subscriptions more effectively. And that could certainly affect those consumer business models. For us, agentic traffic is agentic traffic. And we process that traffic, as I said earlier, relatively modest impact on delivery revenue, more significant opportunities in security. And we help our customers govern that traffic and it depends on their business strategy as far as how they want that traffic treated.

Frank G. Louthan
Analyst, Raymond James & Associates, Inc.

Q

All right. Great. Thank you very much.

Operator: Thank you. And one moment for our next question. Our next question will come from the line of Peter Levine with Evercore. Your line is open. Please go ahead.

Peter Levine
Analyst, Evercore Group LLC

Q

Great. Thanks very much for taking my questions. NRR ticked up higher, I think the highest we've seen for a while, since maybe 2022, just based on my model. But I guess how much of that impact or improvement reflects just broader base expansion across your customer base versus maybe a handful of larger customers just, kind of, increasing consumption? Can you maybe just break down kind of the acceleration in net retention this quarter? What drove it?

Richard Wong
Chief Financial Officer, Fastly, Inc.

A

Yeah, Peter. Thank you for the question. Yeah. So NRR, we reported, was 119%. That was our sixth consecutive quarter of increasing NRR. As you can imagine, of course, very obviously, the NRR expansions of both cross-sells and upsells. I think that, for us, the addition of multiple products and new products over the past kind of 12 to like 18 months has really helped the cross selling efforts on that front. But the more we release – I think we talked about the product suites and having six product suites out there. The more that we've released, we've actually noticed a general correlation that as customers buy more products suites, the NRR tends to increase. And so, what we're seeing here and what we're benefiting from is really a broader product portfolio. And as they adopt more and more, that kind of NRR tends to rise with our customer base.

We are seeing, kind of, broad based across – I think your question with larger or smaller customers. We do see strong NRR across both our top customers and our non-top customers as well. So it's pretty uniform across that group.

Peter Levine
Analyst, Evercore Group LLC

Q

And I know – I'm thinking of the right way to phrase the question is, Scott's going to be on board, you're going to be going through this transition. You're looking for a new CRO and you're not guiding for 2027, but maybe help us, or investors, how are you going to mitigate any kind of – not risk, but there's always going to be disruption with a new CRO. We've seen it – maybe it doesn't happen, but should we be prepared for the 2027 guide to maybe adjust for potential disruption to go-to-market? Maybe that's going to impact numbers when you report next – when you give us the guide next quarter. Just help us understand how you're thinking about any possible

Copyright © 2001-2026 FactSet CallStreet, LLC

disruption and how you're going to mitigate that, and when you do guide for 2027, should we be prepared now just to – I guess, just assuming that maybe that is baked into the numbers?

Kip Compton
Chief Executive Officer & Director, Fastly, Inc.
A

Yeah. I mean, it's – certainly understand the concern. I'll comment and Rich may have some more detail. Our guide that we've offered today incorporates our view of the impact of that transition. We're very pleased with the transition plan that we've worked out with Scott, and we think it affords us more than enough time to find a fantastic leader and, in fact, for Scott to continue to be involved in the business, even as we're ramping that leader up. We're very pleased with the momentum that we've established with four quarters now in a row with 20% or greater revenue growth. And we're very happy with the strength of the leadership team that Scott has assembled, as well as the investments that I mentioned earlier that are playing out now and we think will help in the future.

I don't know that we can comment on our 2027 guide until we have it to offer. If we develop concerns one way or the other about any aspect of the business, including its transition, obviously, we'll incorporate that into our guide. But for now, the guidance that we've offered incorporates our view of the situation. I don't know, Rich, I...

Richard Wong
Chief Financial Officer, Fastly, Inc.
A

Yeah.

Kip Compton
Chief Executive Officer & Director, Fastly, Inc.
A

I don't know if we have anything more specific.

Richard Wong
Chief Financial Officer, Fastly, Inc.
A

Yeah, nothing else to add. I've been through a number of transitions in prior career, and I would say that the best transitions are ones where there's a next level of bench strength that has been formed and developed. I think that Scott's just had a fantastic job in building his next level bench strength. And it's not just Scott's org, I think that the rest of the leadership team has a good bench strength that kind of brings the continuity and the continuity that's needed in a regular business as public.

Peter Levine
Analyst, Evercore Group LLC
Q

Okay. Thank you for the color.

Operator: Thank you. And one moment for our next question. Our next question will come from the line of Rudy Kessinger with D.A. Davidson. Your line is open. Please go ahead.

Rudy Kessinger
Analyst, D.A. Davidson & Co.
Q

Hey, guys. Thanks for taking my questions. I want to go back to Fatima's question on the non-top 10. Just any further color you can add there as to why the growth has really decelerated so significantly the last couple of quarters? Is it just weak overall traffic growth in that non-top 10? Or is there anything else you can share that can help us kind of reconcile the 10 point decel in that growth the last two quarters?

Copyright © 2001-2026 FactSet CallStreet, LLC

Richard Wong
Chief Financial Officer, Fastly, Inc.

A

Yeah, I think the only other thing I'd add is that, I think that, we probably over-focused a little bit on the top 10. I think that – or even top 50 actually, because I think one of the areas that Scott's done a fantastic job on has been really focused on the customers that matter to – where performance matters to them. And so, as a result, we spent a lot of time on that. And it's really timing, right? I mentioned that these initiatives, different initiatives take different times, building a brand beyond top 50, making investments on kind of getting out there and doing effective selling beyond the top 50, that takes a little bit more time than it does with the top 50.

Kip Compton
Chief Executive Officer & Director, Fastly, Inc.

A

Yeah, I think that's right. I mean, obviously, our engagement with those top customers has been incredibly effective and that's something we were able to put in place early on in Scott's tenure. And so, we're seeing the results of that now. Engaging more tightly with those customers is something we could get in place fairly quickly. When you think about transforming our marketing engine with bringing in a new marketing leader, obviously, that's going to take time to show results. So, you think about international expansion with the new leadership team in APJ and changes in Latin America as well, both areas where we see significant opportunities going forward, that takes some time as well.

And with partnerships – we talked about the Comcast one on the call today, but we have a number of other partnerships in the pipeline and those can have a huge impact on the business, but they take time to develop. So, I think it really is just these investments have different time scales. And we're pretty confident in the progress we're making in those investments. And we think that they will generate results over time.

Rudy Kessinger
Analyst, D.A. Davidson & Co.

Q

Yeah, okay. Got it. And then, secondly, everybody's been asking GTA VI, Q4. Any kind of commentary you can provide, maybe just comparing it to the Fortnite download traffic you had Q4 last year, the World Cup, just in terms of much it could potentially generate in [ph] Q for you (00:40:27) and just what all you have assumed in your guide at this point for it?

Kip Compton
Chief Executive Officer & Director, Fastly, Inc.

A

Yeah. I mean, GTA VI, a bunch of us are looking forward to it. But I'll turn it over to Rich to comment on how his team incorporated into the guide he offered.

Richard Wong
Chief Financial Officer, Fastly, Inc.

A

Yeah, the way we are looking at it, basically we look – we work pretty closely with our infrastructure team, making sure that we have the capacity to support the customers we have here. We do model it out based on a number of assumptions. So, the assumptions that really drive kind of what goes into our model is really around initial download size, kind of the number of subsequent patches and the size of those patches, kind of, our share of wallet with those customers and their share of wallet on the GTA VI distribution, you can tell that there's a lot of assumptions that go behind it. And we basically work very closely with our customers to really make that model and put it in. But as you can imagine, it is very episodic and it could be highly variable.

Copyright © 2001-2026 FactSet CallStreet, LLC

I appreciate the question and the drill down here. I think that's all I can really say on the GTA VI. Beyond GTA VI, I would say that other episodic areas that we think about and are factoring in, it's a little bit more known because it happens – it's happened in the past, which would be holiday shopping, NFL and then midterm elections, of course.

Yeah, I think the other part of your question with GTA relative to like Fortnite and others. I would say that GTA from a download kind of assumption perspective, it is bigger. And of course, the number of downloads is a lot bigger too. So, it's definitely, assumed to be bigger in our Q4 guide than Fortnite has been.

Operator: Thank you. [Operator Instructions] And our next question is going to come from the line of Jeff van Rhee with Craig-Hallum Capital Group. Your line is open. Please go ahead.

Daniel Hibshman
Analyst, Craig-Hallum Capital Group LLC

Q

Hey, Kip, Rich, congrats on the quarter. This is Daniel on for Jeff. Maybe just in terms of the component upgrades you talked about in the network in terms of efficiency that you're thinking you can put through that way, I'm assuming what you're talking about there is that instead of replacing servers wholesale, you can sort of selectively replace individual components and save on CapEx. Is that something you've done before? Any thoughts on how meaningful that could be? Is that part of what already saved here in terms of the 2026 CapEx guidance coming down? Just any further thoughts or elaboration on that would be great. Thanks.

Kip Compton
Chief Executive Officer & Director, Fastly, Inc.

A

Yeah, I'll comment, and then Rich can maybe comment on how it fits into the CapEx guide. Generally speaking, the capital that we spend on our network is to expand it. We generally do not have a significant capital going to repair or upgrade existing servers. We're typically expanding it. There are cases, especially given the current supply chain issues around things like memory, where we are looking at component upgrades that enable us to get more out of memory that we already have. But in general, you should interpret the CapEx that we spend on our network as expanding our capacity.

And now, I'll also comment though that beyond the capital and growing the server and the network base, we regularly improve our software. And we've seen some significant improvements in our efficiency for various services this year. As services scale up, our engineering team looks at how they can make them more efficient and often that provides us with an advantage as well. But, Rich, maybe you could comment on the CapEx guide.

Richard Wong
Chief Financial Officer, Fastly, Inc.

A

Yeah. Our CapEx guide for the full year is now at 10%. I think in prior, we had guided 10% to 12%. I would say that, from a network perspective, I think we're – because we have one network that supports all our products, we're just a lot more efficient and we can use a lot of off-the-shelf hardware. That gives us a lot more flexibility in terms of how we kind of want to build out our network. And so, whether it's going to be components or whether it to be wholesale servers across the board. We have flexibility in how we scale and grow. And that's actually playing out.

If you look at what we did for this past year, almost 70% of our CapEx was in the first half. And we had chosen to do a combination of like regular wholesale purchases of servers, but we also chose to do some component

Copyright © 2001-2026 FactSet CallStreet, LLC

upgrades that actually helps us a lot. And I think it's because we have a software [ph] configure (00:45:00) kind of infrastructure and it makes us more efficient than our peers.

Daniel Hibshman
Analyst, Craig-Hallum Capital Group LLC

Q

Yeah. And then just one follow-up in terms of AI traffic and its use case that was discussed in particular on this call with the seven-figure win. Just when we talk about that as agentic traffic, just how does that work? So, this is primarily security, not delivery or compute, if I'm correct. That's what I gathered from the call. If it's security that primarily, I take it is on sort of a software subscription basis, is it priced based on volume of traffic? To what degree does sort of the volume of traffic drive the pricing relative to the sort of just being a flat subscription for the solution? Thanks.

Kip Compton
Chief Executive Officer & Director, Fastly, Inc.

A

I mean, I don't want to comment on any specific deal. Broadly speaking, the majority of our security revenue is based on subscriptions, but those subscriptions do increase in price based on the amount of volume of traffic that's covered by the subscription. So, that that does provide us with growth of revenue with the volume of traffic. But I don't know, Rich, if you have further insight.

Richard Wong
Chief Financial Officer, Fastly, Inc.

A

No, I think that's absolutely right. I mean, I think it is pseudo subscription based on consumption, how much RPS requests that we expect to kind of process for our customers.

Daniel Hibshman
Analyst, Craig-Hallum Capital Group LLC

Q

Makes sense. Thanks, guys. Congrats on the quarter.

Operator: Thank you. And one moment for our next question. Our next question comes from the line of Timothy Shubsda with Piper Sandler. Your line is open. Please go ahead.

Timothy Shubsda
Analyst, Piper Sandler & Co.

Q

Hey, guys. Thanks for taking the question. I know you guys aren't guiding out to 2027, but kind of given the transition here, how should we start thinking about kind of balancing investments with the go-to-market and increasing the product velocity with kind of profitability just kind of moving forward?

Richard Wong
Chief Financial Officer, Fastly, Inc.

A

Yeah, I think that – we had Investor Day in September. We laid out a framework out to 2029 where we're targeting. I think with Scott's announcement today, nothing really kind of changes from or deviates from what we've talked about. We do think that we're going to continue to make investments in the right areas around product, but also go-to-market. And we want to continue the expansion in APAC and LATAM that we've talked about. So, I don't think, from my perspective, anything really changes. We're looking for longer term towards that 2029 objectives and seeing how we get there. And so, we're keeping kind of eye on the ball and continuing the same path that we're on.

Copyright © 2001-2026 FactSet CallStreet, LLC

Timothy Shubsda

Analyst, Piper Sandler & Co.

Q

Got it. And really appreciate kind of the history of the multi-product adoption here. Some kind of big increases, especially with the four plus products. Can you talk about what's kind of driving that and what are some ways that you can keep pushing that higher? Thank you.

Richard Wong

Chief Financial Officer, Fastly, Inc.

A

Yeah. I think that what's driving it, I would say it's – really starts with a real good product offering. I think that, over the past kind of even 24 to 36 months, we've launched a number of products at parity or better than our peers. And so, having that is very helpful in terms of existing customer base. But that alone doesn't do it, right? I think the investments we made on the go-to-market side bringing in sellers who know how to sell security was really important. Bringing in people who know how to do the platform approach and changing the way our commissions plan. So, I would say it's both the combination of having a broader product portfolio combined with a real go-to-market motion that's adjusted for a platform approach is what's really driving it.

I think that, as I look forward, we talked and announced some AI products as well. And I just think that we're on that trajectory where, as we launch more products and as we get deeper with our customers and as we add more value, that opportunity just gets bigger and bigger for us.

Operator: Thank you. I would now like to hand the conference back over to Kip Compton for closing remarks.

Kip Compton

Chief Executive Officer & Director, Fastly, Inc.

Thank you. I want to thank our Fastly employees for all of their contributions, our customers for their trust and partnership, and our investors for their continued support and interest. Thank you and have a great day.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect. Everyone, have a great day.

Copyright © 2001-2026 FactSet CallStreet, LLC

Disclaimer
The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2026 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.

Copyright © 2001-2026 FactSet CallStreet, LLC