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PRESENTATION

Operator

(Operator Instructions) Welcome to the Cellebrite first-quarter 2026 financial results conference call. (Operator Instructions) I would now like to turn the call over to your first speaker today, Mr. Andrew Kramer. Mr. Kramer, the floor is yours.

Andrew Kramer - Cellebrite DI Ltd - Vice President, Investor Relations

Thank you very much. Welcome, everybody, to Cellebrite's first-quarter 2026 financial results conference call. I'm joined this morning by Tom Hogan, Cellebrite's CEO; David Barter, Cellebrite's CFO. Also with us today are Marcus Jewell, our CRO; and Shiv Ramji, our new President of Products and Technology. This call is being recorded, and a replay of the recording will be made available on our website shortly after the call, along with a copy of the prepared remarks and transcript.

Please note that today's press release and financial statements, including GAAP to non-GAAP reconciliations, are available on the Investor Relations website at investors.cellebrite.com. In addition to the press release, we posted a separate investor presentation that provides an overview of the business and our recent financial performance.

I'd also like to remind everybody listening that the slide in your webcast viewer is a placeholder only. There are no actual slides to accompany the prepared remarks. We also published supplemental historical financial information for each quarter of 2025 along with full-year 2024 and 2023 on our Investor Relations website.

Additionally, unless stated otherwise, our discussion of first-quarter 2026 financial metrics, as well as the financial metrics provided in our outlook, will be done on a non-GAAP basis only and all historical comparisons are with the comparable periods of 2025.

I'd like to remind you that today's discussion will contain forward-looking statements, including, but not limited to, the company's business operations and financial performance. All forward-looking statements are subject to risks and uncertainties and other factors that could

cause matters expressed or implied by those forward-looking statements not to occur. Actual results could also differ materially from historical results and/or from forecasts.

Some of these forward-looking statements are discussed under the heading Risk Factors and elsewhere in the company's annual report on Form 20-F filed with the SEC on March 3, 2026. The company does not undertake to update any forward-looking statements to reflect future events or circumstances.

And with that being said, I'd like to turn the call over to Tom.

Thomas Hogan - *Cellebrite DI Ltd - Chief Executive Officer, Director*

Thanks, Andy. I'm going to start with a quick summary of the quarter. Cellebrite delivered solid first-quarter results that either met or exceeded the high end of our ARR and EBITDA guidance. ARR grew 21% year-over-year to \$493 million. We delivered adjusted EBITDA of \$30.6 million, up 29% year-over-year.

Our free cash flow margin for the trailing 12 months was 32%. And our Rule of X continues to track north of 50. Dave Barter will add details to the quarter, along with our guidance for the second quarter and a confirmation of our full-year guide.

I want to use the majority of my time this morning to review a range of important milestones related to our portfolio, our value prop, and their corresponding expansion of our TAM and the potential for added top-line growth. We've talked for the past year about multiple areas of important innovation, and I'm pleased to update our investors today with the delivery of a range of new products and services.

I want to intentionally start with AI and its impact on our hardware-enabled software platform. The market narrative is clear. AI will create winners and losers. The trick for investors is to discern who wins and who loses while virtually every vendor declares pending success or AI immunity.

Our position has been clear, but until now, it's been a promise versus a product or measurable results. We're now converting that promise to product, and within weeks and within the second quarter, we will begin to convert those products to bookings and revenues.

AI is differentiated at Cellebrite by our trusted access to digital evidence, most notably our insights to the complexities of mobile data, to our court-ready workflows, to our decades of deep domain expertise, and to the governance and security of our platforms. These industry-unique capabilities and our reputational trust, when linked with a heritage of innovation and technological prowess, have positioned us to lead the pending explosion in AI-enabled investigative analytics.

There is no margin for error here. This is stuff that you have to get right. The future is now. This new chapter officially began on March 16 when we publicly announced Genesis, our agentic, next-gen AI solution. Genesis delivers rapid, actionable insights from voluminous, complex, and often disparate data sources.

To underscore product fit, need, and value, we announced Genesis 90 days prior to our planned general availability. We made the product available to a select group of early adopters to gather pre-release market feedback. Candidly, we expected one to two dozen takers.

Eight weeks later, we have over 500 registered users. These users represent over 15 countries and come from agencies of all shapes and sizes. And I'd remind our listeners, this came with zero marketing, pricing, or packaging.

The second and most exciting development is the early feedback from these users. And rather than me translate their feedback for all of you, I took the liberty -- I'm going to take the liberty to read verbatim a sampling of unsolicited emails we received from early customers. While we need to protect their confidentiality, we have otherwise not edited any of the commentary you're about to hear.

The first is from the leader of a specialized counter-terrorism unit at a regional police force. He wrote, quote, It would be unethical of me, in my job, to keep my community safe, to not report on this capability ASAP. The Cellebrite Genesis program is not an incremental improvement in digital evidence analytics. It's a quantum leap and produces a level of detail, accuracy, and volume of actionable information at a speed that is exponentially better than any existing capability.

Second example, another customer that comes from our Asia-Pacific region told us, quote, I've experienced a very wide range of digital forensic, and analytical programs over nearly 20 years of effectively combining criminal investigations with digital forensics and analytics. Genesis is the finest digital evidence product I have ever used. Its ability to process data from mobile phones, computers, documents, CCTV, and spreadsheets, and produce very high-quality contextual findings with references to precise artifacts, would be of potential life-saving value in instances of live or emerging threats.

The last example I'll share, a detective who works at a US county sheriff's office in the southeast observed the following, quote, The past two weeks have demonstrated the most significant ROI for the Genesis AI platform to date. Despite a one-week gap for the Cellebrite user conference, the unit successfully deployed Genesis in a high-priority exploitation case involving an online persona targeting children.

Within 15 minutes of ingestion, Genesis identified 16 additional victims previously unknown to investigators. It is estimated that a manual review of these devices would have required approximately two weeks of investigator man-hours. The case has been successfully forwarded for Federal prosecution. This major win proves that Genesis AI is not a luxury tool. It is a critical resource for victim identification in time-sensitive exploitation cases.

And the list goes on, but I'll stop there. The impact is real, and the outputs are highly differentiated from past experience with horizontal LLMs. We're excited about the potential to convert these early trial adopters to customers post-GA in mid-June, in mid-June meaning 30 days from now.

I would remind our listeners that our 2026 plan assumes zero AI product-specific revenue, which will now obviously not be the case. We were optimistic we'd make progress, but we candidly underestimated the speed.

I suspect, as analysts, you're anxious to understand the ramp and the addressable market. So let me give you a high-level view, but I want to caveat my comments by acknowledging that AI could not be more dynamic and in many ways unpredictable. That said, we estimate the TAM for investigative AI over the next four years at roughly \$12.5 billion.

We think it is entirely possible that the AI revenue over that time frame could approximate the current total revenue of the company, or said differently, we see an opportunity to double our business with strong execution and continued innovation. The takeaway is this is big, and as we've shared previously, a clear Cellebrite opportunity versus a threat to our business.

The last question I might anticipate is where and how do we sustain differentiation? At a high level, Genesis is differentiated by the upfront investment we make before the model runs. We've embedded nearly two decades of domain expertise in our pre-processing, prompt engineering and inference training. The result is effectively a vertical language AI model that is purpose-built around investigations, evidence, and justice in ways that a frontier model pointed at raw data simply can't match.

I have one final data point that underscores the game-changing nature of this technology. Those of us that have been in enterprise software for years are accustomed to 6 to 12-month deployment timelines, and months of end-user training. A Genesis tenant can now be deployed in a day, and training is non-existent. Non-technical law enforcement and intelligence officers become instantaneous productive users. It almost sounds too good to be true, but it is, and it's incredibly exciting to say the least.

A few closing thoughts on this topic. First, Genesis is not our only monetized AI offering. Genesis is perfect for customers that want the benefits of AI today, but are not yet fully ready to manage cases, store evidential artifacts and analyze them using our Guardian platform. For those that are ready, Guardian Investigate incorporates similar AI capabilities within its workflows.

We are also making rapid progress with an on-prem AI offering where disconnected or air gap insights are mission-critical. All of this, of course, is focused on our outbound AI offerings. We are making similar strides with the internal use and leveraging of AI, which will deliver steady improvements in our operating efficiencies and the potential to further optimize resource allocation for growth-focused initiatives.

In summary, AI will turbocharge this company across three vectors: our TAM and top-line growth, the efficiency of our total spend, and most importantly, the pace at which we make the world a better, safer place.

Speaking of Guardian Investigate, we achieved another milestone at the end of the first quarter when GI, our AI-powered system of record for case management, moved into general availability. While multiple evidence platforms focus on video evidence, Guardian Investigate is an AI-powered, modern alternative to a digital evidence management system.

Guardian Investigate is a virtual case management solution that is focused on all things digital, including video, audio, call records, ballistics, drones, CCTV, et cetera, but is also optimized for digital data from mobile phones, which remains the preeminent device involved in modern investigations. GI supports the day-to-day needs of investigators by enabling investigative teams to build stronger case narratives, collaborate seamlessly, securely store a diverse set of data sources and file types that extend well beyond traditional smartphones, and interrogate this data with the industry's most powerful agentic AI capability.

Like Genesis, Guardian Investigate agentic AI is already making a measurable impact on the speed, efficiency, and efficacy of investigations. Response from early adopters has also been strong, and we expect steady growth and penetration as we enter the second half of 2026.

We switch gears to the unlock and access world. While our portfolio has expanded significantly to include prevention, secure collaboration, and provide advanced analytics. We recognize that in many cases, the process starts with the ability to access and unlock devices.

To ensure leadership in this phase, we doubled down in the second half of 2025 on our Android and iOS unlock capabilities and emerged in late Q1 with what we believe is the most advanced and comprehensive platform for unlocking and accessing the most diverse set of mobile devices in the industry. For customers seeking a unified and singular platform without compromise of capability, Cellebrite now offers a best-in-class solution.

I would also remind investors that unlocking a device is just one part of a much longer journey. It's often the beginning and it's rarely the end. The post-unlock process of extraction, decryption, and the decoding of binaries to readable information is an equally daunting task that requires significant investments in ongoing research and a source of significant differentiation for Cellebrite. Our leadership here is made possible by the combination of our material investments in research, combined with our advanced AI capabilities and the powerful assets acquired through Corellium.

Next up, FedRAMP. After two-plus years and a significant investment of time, money, and talent, Cellebrite announced on May 6 our FedRAMP high authorization to operate. As you may know, this level of certification is reserved for applications, data, and services that demand the most stringent levels of security and governance.

There are less than 100 companies with high Level 4 certification, which is reserved for cloud-hosted data and services that carry the potential for catastrophic risk if compromised. Cellebrite was sponsored by the US Department of Justice, and our ATO now opens these agencies to the evaluation and pursuit of Cellebrite's growing portfolio of government cloud offerings, including our flagship Guardian platform, which enables a powerful combination of efficiency, speed, and the collaboration of mission-critical information across the US departments and agencies.

This opportunity, which we expect will ramp gradually over the next several quarters and into 2027, uniquely positions us as all US Federal agencies plan and prioritize their technology platforms for fiscal '27.

Another topic of significant interest has been our progress in US Fed. As was well chronicled, this segment was essentially flat in 2025, driven primarily by a combination of budget pressures and organizational change. While renewals remain strong, our new bookings experienced a significant slowdown last year. The good news is this business is rebounding quickly as predicted.

Our rebound is being driven by a wide range of positive developments. First, the stabilization of agency leadership, combined with the anticipated release of material funding targeted at cyber and digital initiatives. This includes appropriations that are directly targeted at Cellebrite sweet spots like digital evidence management and collaboration, advanced analytics and solutions-targeted at the fentanyl and opioid crisis.

And second, the unfortunate realities of elevated global geopolitical instabilities. These external forces have been further enhanced by multiple internal developments within Cellebrite, the close of Corellium in December, which is still pending CFIUS approval; the acquisition of SCG, the market-leading drone forensic solution; the announcement of our integrated field-based kiosk for forensic intelligence and extraction at the point of engagement; our FedRAMP authorization to operate; and the combination of a new business unit leader along with an elevated focus on defense and intelligence from a go-to-market and product marketing perspective.

The combination of all these internal and external factors are starting to surface in our results. The US Fed space is beginning to accelerate with a growth rate clearly headed back to the 20s with the potential based on large strategic initiatives to exceed its historical mid-20s growth rates. We are also encouraged by our US Fed pipeline, which has increased 35% year-over-year.

These dynamics are not limited to the US. EMEA, as another example, has increased its ARR growth. 10 points year-over-year to 25%. A core driver in EMEA's expanded growth has been the defense and intelligence sector, which delivered growth in the mid-30% range, which is a direct reflection of the strategic focus they launched one year ago and we think a harbinger of what's about to come in the United States.

I want to underscore that the list of the seven major innovation milestones we just touched on has been in flight for the past 12-plus months, but have literally hit the market over the past four months, many of which have been delivered over the past eight weeks. We now need to do our work to execute and deliver, but our materially expanded portfolio gives us the assets we need to deliver our committed acceleration of growth.

I want to switch now from the material expansion of the portfolio and strategy to exciting progress in elevating the Cellebrite brand and market awareness. In April, we hosted our second annual C2C conference in Washington. This three-day conference attracted roughly 850 total attendees, an increase of over 20% from 2025.

The list of attendees included representatives from over 30 countries and nearly 500 organizations across law enforcement, defense, intelligence, and the private sector. The feedback was exceptional, and attendees are already looking forward to next year's session in Dallas, Texas.

The second highlight of the conference was the evening gala celebrating our second annual JUSTYS . This ceremony is an annual recognition of exceptional contributions and excellence by the brave men and women who work every day and risk their lives to make our world a better, safer place.

This year's ceremony was broadcast live by the Law and Crime Network, which has over 7.5 million subscribers. Funds raised in the honor of the 20 award recipients were allocated to COPS US and COPS UK, both of which are organizations dedicated to assisting the children and spouses of fallen officers through a combination of counseling and scholarships. It was a proud evening for team Cellebrite.

Let's switch gears to a quick organizational update. As many of you saw in our April 30 announcement, we announced that Ronnen Armon, our Chief Product and Technology Officer, will retire on July 1. We want to thank Ronnen for his leadership and contributions to our company's growth and success over the past nearly six years. He will be missed both personally and professionally.

We are fortunate to also announce the appointment of Shiv Ramji, effective immediately, as the new President of Products and Technology. Shiv brings a rich and successful career of growth and product leadership at global relevant brands such as Auth0, Okta, Amazon and DigitalOcean.

Shiv's experience and expertise adds important depth in three categories: security, AI, and the cloud, all critical to our future and our differentiated value proposition. Shiv will continue to be based in New York City and will work closely with Ronan over the coming six weeks to ensure a smooth transition. As Andy mentioned, Shiv is here with us today, and he'll be available for Q&A.

Before I turn the call over to Dave, I want to acknowledge the hard work and contributions of our team, but most especially our colleagues in Israel, who have once again demonstrated true resilience and commitment under extraordinary circumstances during the conflict with Iran. The conflict with Hamas on October 7 was difficult at best.

The more recent conflict with Iran has tested their resolve at a new level, given the heightened military action and proximity of Iran. Their strength and dedication epitomize the character of our company. Their commitment to our mission remains remarkable and a direct reflection of everything we do at Cellebrite.

I'd like to close by sharing that at no time since I joined Cellebrite in the summer of 2023 have I been more optimistic about our future. The level and pace of innovation and the expansion of our portfolio is unparalleled and gives us the opportunity to further our leadership in terms of both mission, growth and value creation. It's an exciting time to be part of Cellebrite and an ongoing privilege to lead a company that is so critical to the safety of this world.

With that, I'll turn the call over to Dave.

David Barter - *Cellebrite DI Ltd - Chief Financial Officer*

Thank you, Tom. Q1 represented a quality start to the year in terms of the financial metrics. ARR increased 21% to \$493 million, and from a sequential perspective, it grew by \$12 million. Our free cash flow margin continues to track well above 30% on a trailing 12-month basis. We continue to hold to our Rule of 50-plus commitment.

While these are good results, what occurred operationally is far more important and impressive in that it sets up the balance of the year. This was the second straight quarter of stable sequential ARR growth following three quarters of headwinds.

Looking beyond the ARR stability, the mix of what's driving our growth is shifting in a very positive way. As Tom highlighted, we launched key products and provided customers with early access to new technology. We anticipate that these new products will be key contributors in the second half of the year.

On prior calls, some of you have inquired about what happens after the Insights migration runs its course. I believe we've started to answer that question this quarter with new products, including a very strong AI offer that will increasingly contribute to net new ARR. By the end of the year, as we shared on our last call, we expect our growth products will account for close to 20% of our ARR. While we believe 2026 will be a good year and one where we reaccelerate growth, we're excited for 2027 and beyond.

Let's take a look at ARR by segment. The Americas represented 53% of total ARR, while EMEA represented 35% and Asia Pacific represented 12%. In terms of growth rates by geography, the Americas grew 18%, EMEA grew 25% and Asia Pacific increased 21%.

From a product perspective, our growth products, which include Guardian, Pathfinder, Corellium and our drone forensics doubled on a year-over-year basis. Across all of our regions, the engagement with national and federal level agencies caught my attention. Equally, I'm encouraged by customers who would like to adopt our platform and their requests to ensure we include our new AI product in upcoming proposals.

While it's early days, the indications of strong product market fit are evident in many of our platform and AI conversations. This corresponds with our investment strategy and the continued openness of our customers to cloud-delivered solutions.

In terms of revenue, we reported \$128.3 million, up 19% in Q1. Total subscription revenue grew 23%, which was partially offset by an anticipated decline from our non-recurring training, hardware and professional services. Our Q1 gross profit increased 21% to \$110.2 million, which represents a gross margin of 86%.

First-quarter adjusted EBITDA of \$30.6 million increased 29% over the prior year and the margin expanded by 190 basis points to 23.9%. We achieved this level of profitability despite the FX environment and absorbing a full quarter of Corellium costs. Headcount was 1,271 employees at the end of March. We reported first-quarter operating income of \$28.6 million and net income of \$30.6 million or \$0.12 on a fully diluted basis.

Turning to the balance sheet, we ended the first quarter with \$535 million in cash, cash equivalents and investments. This is essentially unchanged from the end of 2025 due primarily to the acquisition of SCG Canada. For the trailing 12 months, free cash flow grew 19% to \$159 million with a 32% free cash flow margin.

Let's turn to our outlook. Overall, our initial thesis for the full-year 2026 is unchanged. We always knew Q1 growth would be modest given our seasonality and a small population of expiring contracts. We have increased confidence in our 2026 outlook based on the expanded portfolio, building momentum, platform RFPs and overall pipeline.

Looking at the second quarter, we expect ARR in the range of \$510 million to \$513 million. This represents net new ARR in the range of \$17 million to \$20 million. It's a significant step up from Q1 and represents approximately 50% sequential growth at the midpoint.

In particular, we expect to benefit from a full quarter of availability for some of the newest products we've introduced, such as our Advanced Unlocks and Guardian Investigate offerings. As more customers expand their subscriptions to include our cloud and AI products, it will create a stronger foundation for durable ARR growth. It also will lead to more ratable revenue recognition.

In terms of the Q2 outlook, we anticipate second quarter revenue in the range of \$130 million to \$133 million, an increase of 15% to 17%. In addition to the growing base of ratable revenue contracts, we also expect non-recurring training, hardware and professional services to be flat in line with prior periods and the ability of our ecosystem to support our customers.

We anticipate adjusted EBITDA in the range of \$29 million to \$31 million with a margin of 22% to 23%. It's important to note that this outlook factors in FX headwinds, which is estimated to be approximately 2 points. It also includes our annual expanded C2C user conference and our regional launch events.

Overall, Cellebrite delivered solid results in the first quarter with substantial progress to enhance and broaden our solutions. More importantly, we're shifting gears to drive the second quarter with a range of exciting opportunities to accelerate ARR growth, deliver strong operating results, and generate healthy free cash flow that supports our Rule of 50 track record. We are excited about our prospects over the coming quarters and the benefits that our newest innovations will deliver to our customers and the communities they serve worldwide.

Operator, that concludes our prepared remarks. We are ready for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Shaul Eyal, TD Cowen.

Shaul Eyal - *Cowen and Company LLC - Equity Analyst*

Thanks for the expanded color on AI and the opportunities down the road. Tom, two questions here. First question, slightly more near-term in nature; could it be that some customers triaging with Genesis and some of the newer products are putting additional Cellebrite core investments on hold temporarily?

Thomas Hogan - *Cellebrite DI Ltd - Chief Executive Officer, Director*

No, we're not seeing that at all. We don't anticipate that at all. It's all part of the value. If you think about the value chain here, first, a year ago, we expanded from the post-bang crime to include intelligence and prevention assets like Corellium.

But if you think about the value chain in the classic sense, it starts with the collection of evidence and artifacts and extractions, then collecting that and securely storing it to allow collaboration with rigid chain of custody. And then the back end, at the end of the day, the message is, what good does all that information do if you can't process it?

And the amount of information that's getting digitized right now is skyrocketing. You start thinking about sensor data, start thinking about surveillance data with drones. I mean, the list goes on and on. So the mountain of digital evidence and artifacts is exploding, and the number of investigators and detectives that have to try to process and analyze that mountain isn't growing.

And so the only way to effectively leverage all those artifacts and bring justice and safety to the world is to apply the amazing capabilities of AI. So no, there'd be no tendency, no desire, no inclination to stop extracting and collecting evidence, nor to store it safely to collaborate. This is just -- it's like the Holy Grail ending to the story to convert all that information into actionable things that make the world safer.

Shaul Eyal - *Cowen and Company LLC - Equity Analyst*

Got it. That makes super sense. Thank you for that. And as my follow-up, so back in March, as we all recall, Anthropic Claude Mythos sent shivers in the market. It would appear that so far, maybe little impact on most security-related companies. Do you see Mythos as a big deal for vulnerability discovery, Tom?

Thomas Hogan - *Cellebrite DI Ltd - Chief Executive Officer, Director*

Mythos will help with vulnerability discovery; that's its intent. But a different question is that a headwind, tailwind or a non-issue for us? And pun intended, since you said it sent shivers, I'm going to give Shiv, our new Head of Product and Technology who's got some deep thoughts, no pun intended there either, but to offer why this is not a threat to us. And we would argue, in some ways, the advancement of these AI capabilities, we think we can harness and turn into a positive.

Shiven Ramji - *Cellebrite DI Ltd - President of Products and Technology*

Thanks, Tom. Before I answer that question, maybe just introduce myself to everyone. Really exciting to be here. Congrats to the team on delivering an amazing quarter. It's a great time to join the company on such great results.

So first, I just wanted to share, I'm really inspired by the company's mission and foundation. First, what's compelling to me is a combination of market leadership, highly differentiated technology and a customer problem set that is only becoming more strategic and frankly, way more complex over time.

You can see the scale and volume of crimes and the need for investigations is only going to increase and I believe Cellebrite is uniquely positioned to lead. So the opportunity for the accelerate innovation across the platform, particularly on AI, automation, investigative workflows and cloud capabilities is incredibly exciting.

So I can't wait to dive in. I'm still in listening and learning mode, obviously, but incredibly energized by what I'm seeing so far and excited to partner with the team to help drive the next chapter of growth and innovation.

But two, to get to your specific question, so as Tom mentioned, obviously, Mythos will help with the vulnerability research, but there is a fundamental difference between finding a vulnerability and building a reliable, forensically sound path to extract evidence from a device. And so Mythos obviously helps with vulnerability discovery and accelerate that, but it's just another incremental step on a trend that the security community in AI -- has pursued with AI for years.

So anyway, turning to weaknesses of working repeatable court defensible access technique requires deep expertise across networks, hardware, firmware, operating system layers and application encryption. This is the core of our differentiation and technology that we've built over two decades.

An LLM with the USB cable is not going to replicate this. So I think Cellebrite's provides you with hardware-enabled solutions, continue to deliver proven, forensically sound access across devices and encrypted applications, and will continue to do so for the foreseeable future.

Operator

Jeff Van Rhee, Craig-Hallum.

Jeff Van Rhee - Craig-Hallum Holdings LLC - Senior Research Analyst

A couple for me. First, just while we're on the AI topic, with Guardian Investigate and Genesis, you've got a lot of new products. It involves figuring out how to reach the right people in the investigative unit. It involves them finding budget, buying a product maybe they've not bought before.

Just talk about the process and the learning curve and where you are on that curve in terms of your conviction that a really great set of products, which I think is -- you've offered some pretty convincing evidence of how you translate that into the revenue, whether the customers have the budget, the ability to find it, et cetera?

Thomas Hogan - Cellebrite DI Ltd - Chief Executive Officer, Director

Yeah, well, one is -- great. You know the notion, Jeff, of a PLG motion. In a way, even though this isn't a PLG product, this product is so powerful that we're convinced one thing that will happen, which is why we love the fact that we've distributed this to over 500 registered users out of the gate, the word of mouth. We also had people give testimonials.

I know you weren't able to make our C2C conference, but we had some of these early adopters get on stage in front of 1,000 people and talk about how they solve crimes in literally 1 minute and 12 seconds, in one case, was given as a specific example, versus weeks of investigative work. And I think it is just so powerful that -- and that community is big, but it's small.

And so we think word of mouth of the power -- and the thing that's super powerful about Genesis is if you talk to people that use it, they will tell you, we've played with -- I went into ChatGPT and I asked question A, B, or C, and candidly, what I got back was a pile of crap. And a lot of them have told us, and when you told us about Genesis, we're kind of expecting the same thing. And then they deployed it, and they were blown away by the speed and the quality of the data they got.

So one, we'll obviously do our part with go-to-market, both from a field direct motion into the investigative world and leveraging the 7,000 institutions that already depend on us. David Gee and his marketing organization will do its job to get the word out. But ultimately, I think what will happen the best is the early adopters and people that are using it will show up at their own conferences and talk about the exponential power of productivity and speed and accuracy.

And I keep using the word accuracy because this is not like recommending that Suzy wants a blue sweater or helping you book a trip to Bora Bora. These are people's lives that are at stake and getting it right and having the right guardrails for both ethical use and how this information is obtained and derived and is backward traceable and has human in the loop, those are all critical design points that some generic LLM is not going to provide in the marketplace.

So I think this is -- because when we talk about adoption of this -- this industry has a tendency to overestimate the speed of adoption of everything. For those of us that have been around a while, every time there's a new thing, the Gartner's of the world would come out and say, it's all going to be adopted and deployed in the next 24 months, and it actually takes five years.

This is something that I actually think is going to be the opposite. This is going to go faster. This is going to be a match in a haystack given the power of it. So that's the penetration side of it. And then Marcus is the CRO. He's chomping at the bit to tell his story.

Marcus Jewell - Cellebrite DI Ltd - Global Chief Revenue Officer

I'm just going to give you some data facts here. So the good news is our reader product in the market is used by at least 100,000 users, predominantly detectives. So the other thing is, anyone that's sold into this space, it's a fraternity. And so like a fraternity, it's hard to get in, but once you're in, there's a level of trust that we've built over two decades. And so our access to chiefs and heads of departments has never been better, and we are more relevant than we've ever been.

And then the third data point is with my partner, David Gee, in marketing, we've run a number of user events across the US. And we've touched a minimum and I'm going to quote it now, and I might be perfectly inaccurate of something like 8,000 to 10,000 detectives this year in terms of presenting our solutions. So we don't have a problem with access. And we're super excited about momentum that we've already built.

Thomas Hogan - Cellebrite DI Ltd - Chief Executive Officer, Director

And I'll just add on, we've said this before, but for the benefit of the listeners, there's roughly a 10:1 ratio of detectives, investigators to forensic examiners. So if we show up with a powerful market-leading tool for that community, just from a -- even though this won't be persona priced, the persona here is 10x the audience we've been chasing, which is why the TAM for this thing is huge. And some of our assumptions, I think, assume modest penetration in a huge amount of potential and upside for Cellebrite.

Marcus Jewell - Cellebrite DI Ltd - Global Chief Revenue Officer

And just to add, so we can see our external on this, it opens up the prosecution market for us in a whole different paradigm as well, so it can be used on both sides. And we're super excited about our progress, a number of early users are on DAs as well.

Operator

Bhavin Shah, Deutsche Bank.

Bhavin Shah - *Deutsche Bank AG - Analyst*

Talk about the spring release giving you market-leading unlock capabilities. I know it's still early days, but David, maybe can you provide some insight into how it's driving further unlock purchases thus far? And what's embedded in your expectations for the rest of the year?

David Barter - *Cellebrite DI Ltd - Chief Financial Officer*

Sure. I'll give you my perspective and we'll Marcus weigh in as well. I guess we looked at it from the standpoint that I think we've been communicative with customers on unlock and effectively how are we doing our unlock technology to align with the latest versions. And I think, quite frankly, we're pretty encouraged by the way it's being incorporated into platforms.

And so that technically advanced unlock technology probably landed for us in the final 10 days of the quarter. We're real pleased with how the initial request came in. We're more excited about what we're seeing for both the June and the September quarters. And so I think it's going to be a logical attach.

And quite frankly, it'll work really well with some of these platform deals where you have Advanced Unlock at the beginning of the process and Genesis AI at the end of the process. So we're pretty encouraged.

Marcus?

Marcus Jewell - *Cellebrite DI Ltd - Global Chief Revenue Officer*

Yeah, I'll echo David's comments. We're very motivated with the early doors on our Advanced Unlock program. We exhibited two things. The interest level was incredibly high, the number of proof of concepts. The good news as a sales leader, the proof of concept is very simple. You connect the phone and it unlocks it, so you're not called in what I call proof of concept hell.

And we are then able -- we've shown some pricing power there as well. So as the world of vulnerabilities becomes a relatively expensive thing to do and we've been able to exhibit our pricing power and add value. And that's very impressive and we see that continuing for the rest of the year.

Thomas Hogan - *Cellebrite DI Ltd - Chief Executive Officer, Director*

By the way, we can't name -- I mean, we can't give details, but there was a very high profile event in the news in the last month or so where I'll just call it Federal intelligence agencies had a desperate need to access a current -- very current phone from a hardware and OS perspective that was only available from Cellebrite.

And we helped that agency get into that perpetrator's phone almost immediately and helped solve a very high-profile case very quickly. And I wish I could tell you more. You can try to put two and two together, but it's real.

And the other thing, by the way, that this does is, and Marcus can comment on this, we haven't spent a lot of time on the D&I space, but more and more of our customers are starting to look at a true platform decision.

So now, if you're looking at a platform to combat nefarious actors across the spectrum of digital and cyber initiatives, having a best-in-class access and unlock, a best-in-class extraction and decoding, a best-in-class drone forensics, the Corellium asset, the Guardian, the Genesis, the kiosk for integrated in the field point of engagement, we don't think there's anybody in the industry that can bring that range of assets together for some of these customers. And a lot of those are government that want that capability from end to end to help secure citizens and national security.

Marcus Jewell - *Cellebrite DI Ltd - Global Chief Revenue Officer*

Yeah, and I think that's evidence when I started -- we were -- most of our customers were point products, and now that's very unusual. Most customers, the majority will be at least two products, and some will be whole platform. We evidence that quite substantially.

Operator

Brian Essex, JPMorgan.

Brian Essex - *JPMorgan Chase & Co - Analyst*

Really nice results. Maybe, Tom, for you, really appreciate the, like the new investigative AI TAM that you flagged. Could you maybe talk about some of the assumptions behind that? I mean, substantial given the current, just under \$500 million ARR run rate in the business.

But you mentioned you could double the size of the company. Could you frame out maybe the price times quantity that you get to build up to that number and how we should think about the rate of penetration there?

Thomas Hogan - *Cellebrite DI Ltd - Chief Executive Officer, Director*

Yeah, so the good news, Brian, is we had multiple people take a run at this, which I love. I had my product and strategy guys take a run at it. We had marketing run at it. Marcus and the sales teams ran at it. They all came at it a little different way. And it was one of those things that you love where they all almost landed independently around the same number.

And so the \$12.5 billion that we shared, to give you probably the simplest of the multiple versions is, we estimate that there are roughly 500,000 detectives and investigators out there. And if you figure what those people make, you can't charge equal to their salaries to make them more productive, at least not now. Maybe someday, but for the next probably three, four years, no.

But you'd say if we could make those people 10 times more productive, would you spend -- if they're making \$120,000, would you invest \$20,000 or \$30,000 to increase their productivity by 10x? So if you took just the 500,000 detectives and said \$20,000 or \$30,000 for AI to make them that much more productive, that yields the \$12.5 billion.

If I was being overly bold and aggressive and said, we believe that we are by far the best position to provide this capability, therefore, we should get at least 50% of that market, that's \$6 billion. Instead, we said, let's be conservative here and assume we get 5% of that \$12 billion, which is \$600 million, which is about equal to our current full-year ARR forecast. And that's one of three different ways we sliced it, and they all come up with the same answer.

Operator

Eric Martinuzzi, Lake Street.

Eric Martinuzzi - *Lake Street Capital Markets LLC - Analyst*

I know you talked about the Genesis product being consumed on a token basis, but just in the early days here, you can obviously move the needle towards adoption. You can move it towards monetization. How have you been handling it with the beta customers or have they been on a free trial basis?

Thomas Hogan - *Cellebrite DI Ltd - Chief Executive Officer, Director*

Yeah, great question. The current users are free by design. We wanted to distribute it and get some early feedback. We had no idea we'd 500 people say, I want to try it. I'm in Washington, D.C. I'm going to see customers tomorrow that -- it's very senior people of large agencies that want to talk about -- by the way, we don't just give it to everybody. We're selective.

So we probably could have distributed it to more, but it was free. We told them you can play with it for free until it goes GA, at which point in time then you need to pay. And the part that you couldn't do that if it wasn't so easy to deploy, to literally turn on a tenant and just turn it over to a detective, and he just starts -- he doesn't even have to start typing a question, the engine gives him a prompt to say, here's the first question you might want to ask. And you just start asking questions and getting answers, and there's no training involved. So it's free.

Now your next question is, when it goes GA, how are you going to think about monetization? And what I've told the team is, whatever number we come up with, it's going to be wrong. We're either going to underprice it or overprice -- the market is going to be hugely dynamic, but we're going to air out of the gate on being aggressive with pricing because our goal is to get this distributed broadly across the entire -- we believe that once anybody touches this product, they will never give it up.

So this is an example of where the seeding strategy -- I wouldn't call -- we don't want to make it a loss leader because there's costs involved here with tokens, but we're going to price it as aggressively as we can to make it easy for everybody to adopt. And then once they have it and they see the value delivered -- and by the way, we talk about efficiencies -- what really resonates with politicians, citizens, police chiefs, commissioners of three-letter agencies is when you actually save a life, rescue some child exploitation victim, break up a fentanyl ring, stop a terrorist cell.

And by the way, the people that have sent us notes have done all those things. I could have read you another dozen emails that I did that touch on counterterrorism, child exploitation, kidnapping, torture, homicide, literally, where Genesis has solved those cases in a matter of minutes or hours that would have taken weeks or months.

Marcus Jewell - *Cellebrite DI Ltd - Global Chief Revenue Officer*

I'd also add that I think everyone on both sides of this call, this is a path well-trodden. I can't believe anyone on this call is not using the monetized and paid version of their own Frontier model. So we all started with the free, and very quickly we realized the productivity gains and moved to the paid because the benefit is so high. It's exactly the same for our customer base.

Operator

Mike Cikos, Needham.

Mike Cikos - *Needham & Company LLC - Equity Analyst*

Dave, I think this one's for you, and it's really around the net new ARR. We're looking at this \$12.2 million, call it, flattish year-on-year. I'm hearing all the positive data points, right? We acquired Corellium in mid-year. That's been on fire. The Federal is rebounding.

You guys have these multiple momentum drivers here. And I'm just wondering, did any deals potentially push? Is that helping you underwrite the Q2 step-up in the net new? Or is there something that I need to dig through there?

Marcus Jewell - Cellebrite DI Ltd - Global Chief Revenue Officer

Yeah, so Dave's pointing to me to take that one because you asked about a sales push. So, yeah, look, we did. We had some things pushed. Q1 is historically one of our most difficult quarters. There are no -- globally there's no budget cycle ends, except Australia, which is the one that you see, which doesn't move the needle for us.

So we had deals increasing in size and complexity with some push. We were still picking up the tailwind of the Federal business pricing. As you probably know, if you follow the press, HSI's pricing was only just -- budget was only just approved literally in the last few days of the quarter.

As we move more into the D&I space, we move into much more sequential growth in Q2 and Q3 as the project scales. So there was some push. And -- but nothing was lost, and so that's why we feel good momentum going into Q2 and Q3.

David Barter - Cellebrite DI Ltd - Chief Financial Officer

And then maybe just to complement, I mean, I think when you look at our -- and I put it in my prepared remarks, but our pool of expirations was just unusually small. And so, I mean, with a customer-based selling motion, I think that played on it. And then the other thing, just mathematically, one of the elements, when the new products hit in the final two weeks of the quarter, I mean, the ability to fulfill orders was a little --

Thomas Hogan - Cellebrite DI Ltd - Chief Executive Officer, Director

And the one thing, too, and I know we're going to run out of time. The one other thing that makes us bullish about where we're headed is Marcus is starting to prosecute and navigate deal sizes, in particular in the Federal space, that are bigger deals than we've ever seen. And I'll just leave it at -- we're talking big deals.

Marcus Jewell - Cellebrite DI Ltd - Global Chief Revenue Officer

Yeah, there's another little nuance as well that actually happened is some of the large frameworks changed their very nature and they pushed them down to the region. So what can happen a lot in Federal is that what was once done as a single order in certain agencies can be pushed to their regions to follow-up. And so the good news is we actually have some win-backs which are going to start hitting from delayed budget.

The other problem with the unique way that public safety is funded, if you significantly increase the deal, they often have to go and secure other budgets from other areas, which can put a slight delay into the process. But that's far better than trying to renew on a flat basis, trying to increase the revenue on it.

Operator

Jonathan Ho, William Blair.

Jonathan Ho - William Blair Capital Partners - Analyst

Congratulations on the new product releases. I just wanted to better understand the spending environment and whether you see any potential pressure just from the macro events that are out there, as well as your thoughts around any potential for benefiting from a budget flush as we go into that Q2, Q3 period. Thank you.

Thomas Hogan - *Cellebrite DI Ltd - Chief Executive Officer, Director*

Yeah, so no -- global events actually are a tailwind for us, unfortunately. So no negative impact of the Iran war on our business. There's some in Asia, I think. Marcus can talk, I think, in India, but generally, no. The counter is we have better visibility to specific appropriations that Marcus could also add color to. I think it's part of public filings if people want to go look.

But more than at any time in the history of this company, there are specifically passed appropriation bills now that target our solution. Now we just got to go convert and execute them. So to the contrary, the environment and the shift that's happening in global warfare and geopolitical instability, border issues, the whole issue around drones, I mean, it all plays to our strength and capability, and it's a tailwind, not a headwind.

Marcus Jewell - *Cellebrite DI Ltd - Global Chief Revenue Officer*

Yeah, 100%. The expansion in the D&I budget is hyperbolic in terms of what we do. So we're seeing great growth in that area. The other thing, as Tom said, on the appropriations, our most successful year on appropriations. You can look at the FYSA websites and see them, but in excess of \$30 million extra dollars just in a few agencies in the US.

And now, we're not mentioned by name, but if you read what the solutions they are going to buy, i.e., an ATO-approved storage solution, we feel very confident in our position in converting those appropriations into significant increase for our company.

Thomas Hogan - *Cellebrite DI Ltd - Chief Executive Officer, Director*

Yeah, and just to underscore there, in our space, nobody's FedRAMP Level 4 certified. So if you want a cloud-based forensic solution, we're it.

Marcus Jewell - *Cellebrite DI Ltd - Global Chief Revenue Officer*

And don't be confused by in-process. In-process can hang around for three years. Actually having the ATO is the important thing to be able to place an order.

Operator

Thank you. This concludes the Q&A portion of today's call. I would now like to turn the floor over to Andrew Kramer for additional or closing remarks.

Andrew Kramer - *Cellebrite DI Ltd - Vice President, Investor Relations*

Thank you very much. This concludes our call. I'd like to thank everybody for their participation. We have a pretty busy next several weeks of conferences and NDRs. Hope to see you out on the road. If you have questions and want to do follow-up, please reach out. Thanks again.

Operator

Thank you. This concludes today's Cellebrite first-quarter 2026 financial results conference call. Please disconnect your line at this time and have a wonderful day.

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